

NEWS SUMMARY

GENERAL

Playboy
refused
new
licences

The U.S. Playboy magazine has been refused a new licence to publish in the United Kingdom, the British Board of Film Classification (BBFC) has announced. The magazine, which has been published in the UK since 1953, is owned by the Playboy Club, which is based in the United States.

Reagan appeal

President Ronald Reagan is appealing against a decision of the City of Westminster licensing magistrates. The decision was to refuse a licence for the President to hold a public meeting in the city.

Offer to Canada

Britain yesterday agreed to help the Canadian Government introduce a constitutional reform, but warned that the reform could face problems in the British Parliament.

Chirac bid

M. Jacques Chirac, head of the French neo-Gaullist RPR party, launched a bid for leadership of the opposition yesterday with an appeal to all parties to the right to elect together to defeat the Socialists.

No action by DPP

The Director of Public Prosecutions has decided to take no action against a constituent paediatrician, Dr Hugh Jones, who was charged with the death of a child in London. The case was reported to the police by the 'Life' organisation which campaigns against abortion.

Councils agree

The Association of County Councils yesterday agreed to support a resolution by Labour and Liberal controlled councils after agreeing to reject Government proposals for referendums on rates.

House warning

Building society chiefs warned yesterday that home owners can expect difficulty selling houses this winter.

Instant warships

British Aerospace has prepared a plan for turning cargo vessels into 'instant warships' by adding containerised missile systems.

Goodman settles

Lord Goodman, the solicitor, has accepted 'substantial damages' in settlement of a High Court libel action against the satirical magazine Private Eye.

Life for IRA man

Self-confessed IRA man Francis Gormley, 23, was given a double life sentence yesterday in only the second conviction in Northern Ireland for a murder committed in the Irish Republic.

Soccer violence

Two men were stabbed, dozens injured and three charged by police after brawling at the England-Argentina match in the World Youth Championship at Sydney. Five players, three Argentines, were cautioned in the 1-1 draw.

Briefly...

Pope John Paul tomorrow resumes his weekly general audiences.
Poet Dylan Thomas will be commemorated by a plaque in Westminster Abbey.
Peter Wilson, British sports writer, died in Mallorca.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

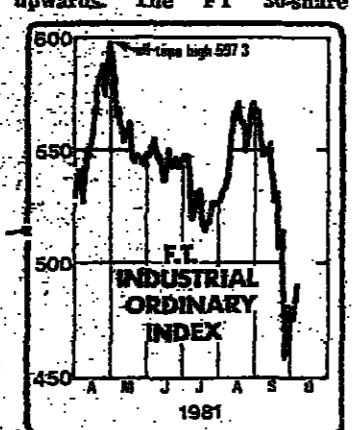
RISERS	FALLS
Treasury 113%	Lucas Inds. 215 + 15
2001.04 574 + 1	Midland Bank 318 + 10
Austrad 188 + 12	Pearl Assurance 390 + 10
Amstey 587 + 7	Polly Peck 235 + 39
Avana 285 + 13	Racal Elct. 410 + 22
Dowty 228 + 11	Riley (E.J.) 38 + 7
Empire Stores 28 + 5	Royal Insurance 370 + 12
Footwear Int. Lvs. 55 + 4	Unilever 575 + 25
Freemans (London S.W.9) 110 + 14	Unilever 575 + 25
Claro 392 + 20	Unilever 575 + 25
Grand Met. 173 + 7	Unilever 575 + 25
GUS A. 390 + 17	Unilever 575 + 25
Grindlays 200 + 20	Unilever 575 + 25
Halite 195 + 10	Unilever 575 + 25
Hambros Bank 153 + 15	Unilever 575 + 25
Hawker Siddeley 236 + 12	Unilever 575 + 25
Hiltons Footwear 131 + 21	Unilever 575 + 25
JCL 38 + 10	Unilever 575 + 25
ICI 268 + 10	Unilever 575 + 25
Land Securities 268 + 11	Unilever 575 + 25

BUSINESS

Gilts up
by 0.33;
equities
add 14.1

GILTS received as institutional investors committed sizeable funds to short-dated stocks. The Government securities index rose 0.33 to 60.93. Page 28

EQUITIES followed gilts upwards. The FT 30-share index closed 14.1 higher at 490.4. Page 28



Index closed 14.1 higher at 490.4. Page 28

STERLING gained 3.6c to \$1.8550. It closed at DM 4.13 (DM 4.17). Sw Fr 3.50 (Sw Fr 3.52) and Ffr 10.3450 (Ffr 10.3600). Its trade-weighted index rose to 88.1 (87.4). Page 25

DOLLAR finished at DM 2.2255 (DM 2.2255), Sw Fr 1.8960 (Sw Fr 1.9350), Ffr 5.5800 (Ffr 5.5050) and Y227.50 (Y232.10). Its trade-weighted index fell to 107.6 (108.4). Page 25

GOLD rose \$7 to \$442.75 in London. In New York, the October close was \$435.3. Page 25

WALL STREET was down 2.58 to 856.35 near the close. Page 24

ENGINEERING employers refused to improve their 3.16 per cent pay offer and warned that negotiations were on the verge of breakdown. Back Page

EL CARS will launch the Triumph Acclaim tomorrow with its Cowley production line at a standstill because of a dispute. Back Page

STATE INDUSTRY chairman will renew their attempts to persuade the Treasury that they should be allowed to raise investment funds in the private sector without being restricted by public spending limits. Back Page; NEDC reports, Page 16; Lombard, Page 17

BRITISH RAIL and the European Channel Tunnel Group of four building companies have united to manage the UK portion of the BR/French Railways Channel tunnel project. Page 9

HIYACHI, Toshiba and Fuji will study the West German KWU-type pressurised water nuclear reactor with a view to making it in Japan. Page 4

CITYCORP, the parent of the largest U.S. bank, launched a \$100m five-year Eurobond at 164 per cent. Page 22

DOW SCANDIA Banking Corporation, London affiliate of Dow Banking Corp, is making a \$25m secured bid for Arbutnot Latham Holdings. Back Page; Background, Page 18; Lex, Back Page

BPM HOLDINGS will buy the Argus chain of newsagent and tobacconist shops from Westminster Press for £2.04m cash. Page 9

RUGBY PORTLAND Cement Company reported reduced pre-tax profits of £8.88m (£9.33m) for the first half of 1981. Page 18; Lex, Back Page

FREEMANS, mail order group, reported pre-tax profits up from £5.08m to £6.57m for the 26 weeks to August 15. Page 21; Lex, Back Page

France imposes price controls to counter effect of devaluation

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government yesterday announced wide-ranging price controls intended to limit the inflationary impact of the franc devaluation and the threat of a further weakening of the currency.

M. Jacques Delors, the Finance Minister, announced a three-month freeze on prices in the service sector and on basic foodstuffs. Importers will be forbidden to increase their profit margins in the next three months. M. Delors called on industrialists not to raise their prices by more than 8 per cent a year.

The new measures, which add to a growing network of controls in France, were taken primarily to prevent Sunday's 8.5 per cent depreciation of the franc against the D-Mark giving a fresh boost to inflation, which is already running at an annual rate of 14 per cent.

Foreign exchange dealers expected that they would provide a respite to the acceleration of prices but that inflationary pressures would surface again later.

The reimposition of price controls runs counter to state-

ments made by M. Delors since he took office. He was anxious yesterday to repeat his commitment to price freedom.

Industry takes the view that price controls without limits on wage increases will cut into profit margins and reduce the possibilities of investment. M. Delors said he would be having talks this week with employers and unions on wage restraint — effectively the prelude to attempting to negotiate an incomes policy.

The devaluation is seen as a political setback for President Mitterrand's government after having resisted a change in parity for so long.

It was pounced on yesterday by the Gaullist leader M. Jacques Chirac. Making his first major pronouncement since the election, M. Chirac saw the realignment of the franc within the EMS as the result of mismanagement over the past four months.

M. Delors announced a goal of bringing the rate of inflation down from 14 per cent to 10 per cent was also greeted sceptically.

The anti-inflationary measures the Government is being forced to take also run counter

to the thrust of its expansionary policy since taking office.

As a result of the realignment of the franc, the Government was looking to an improvement in the economy from increased exports and from a slow fall in interest rates.

He said the new parity was "neither too weak nor too strong".

He criticised economists and business leaders for having too much nostalgia for a "dumping devaluation" as in 1969.

Foreign exchange dealers here felt a 10 per cent devaluation against the D-Mark was needed to restore the competitiveness of French and German prices.

Among the food prices to be frozen for three months are bread, milk, butter, margarine, sugar and coffee. M. Delors asked consumers to watch for increases in the price of meat.

About 40 to 50 sensitive products will be more closely watched through a new price mechanism.

The Government has said a similar effort to keep public sector tariffs down will be made with the one exception of energy.

SDP declares confidence in the mixed economy

BY ELINOR GOODMAN

THE SDP yesterday set itself out as the party of a managed mixed economy, internationalism, the Common Market and multilateral disarmament, amid mounting confidence that it was on the verge of signing up its most prized recruit for months.

On the second day of the SDP's travelling conference the party also announced formally that Mr Bob Mitchell, the Labour MP for Southampton Itchen—who has been teetering on the brink of leaving the Labour Party for months—had decided to make the break and join the SDP with Mr Willie Hannan, the former Labour MP for Glasgow Merchil, who has been a member of the Scottish party establishment for many years.

There was mounting speculation throughout the day that Mr Tom McNally, the Labour MP for Stockport South and former advisor to Mr James Callaghan, was about to tell his party that he could no longer represent it on the basis of the policies approved by last week's Labour Party conference.

The SDP leadership has been trying to persuade Mr McNally for months to join the party. With his close links with the former Labour Prime Minister and his impeccable background in the Labour Party, he would be the biggest prize since the original dozen made the break with Labour six months ago.

Last night, SDP MPs were saying that, even if Mr McNally put the onus on his constituency party to decide whether he should remain a Labour MP, it would be proof that last week's Labour Party conference had failed to convince real moderates that the rot had stopped in the party.

Mr McNally would be likely to be followed shortly by Mr Eric Ogden, who has already failed to be re-elected by his local party in Liverpool West Derby.

Mr McNally was seeing his local party last night as the SDP's conference packed up its papers and moved on to Bradford. Earlier, the conference had given a practical demonstration of its support for the

alliance with the Liberals by giving Mr David Steel, the Liberal leader, a standing ovation when he arrived in Perth.

Mr Roy Jenkins was fulsome in his praise of Mr Steel's "guts, determination and courage." Mr Steel made it clear that he, like Mrs Shirley Williams, believed that the alliance should be planning for a full five-year term of government.

Most of yesterday was devoted to debates over the party's embryonic policies. Mr Bill Rodgers, speaking for the collective leadership, gave the most detailed description yet of the kind of industrial policy the new party favoured.

It amounted to a mixed bag of the policies of Conservative and Labour governments over the last 30 years including incomes policy and "picking winners." He outlined a programme of public spending to ease the problems of change, support the industries of the future, and build a partnership between the private and public sectors.

Conference reports, Page 10

Marsh and McLennan ready to sell its Bowmaker subsidiary

BY JOHN MOORE

MARSH and McLennan of the U.S. is planning to sell its Bowmaker finance house subsidiary, the seventh largest finance house in the UK. Any eventual deal could involve an offer of more than £50m.

So far no formal discussions have taken place between any interested buyer and Marsh or its subsidiaries. But since Marsh acquired C. T. Bowring, the UK broking company which owned Bowmaker, last year it has received approaches from about 30 companies, mainly banks or financial groups in the U.S. and the UK seeking to buy the finance house.

Mr John Regan, chairman of Marsh and McLennan, the world's largest insurance brokers, said in New York

insurance broking was "a people-intensive business, not a capital-intensive business, and a people business is not the optimum owner of a finance group requiring capital funding in years to come."

For these reasons, Bowring and Marsh have decided Bowmaker should be sold to a group "whose mainstream activity is more closely allied to Bowmaker's business."

Bowmaker offers instalment credit facilities to industry, commerce and private individuals. It also offers a range of banking and leasing services. It has been part of the Bowring group since 1969 and employs nearly 1,400 staff.

In the last financial year ending in December, Bowmaker made profits of £5.7m. At the halfway stage in the current year profits were £4.6m compared to nearly £2m in the same period last year.

The future of the engineering subsidiary of the Bowmaker company was not clear yesterday. Although this was not part of Marsh nor Bowring's sale announcement yesterday, Mr Regan said that it would not make any sense for his group to own the offshoot. Any private approach for the engineering company, which is a dealer for earth-moving equipment, engines and trucks of the Caterpillar tractor company, is likely to be considered.

Lex, Back Page

Why Bowmaker did not fit the bill, Page 9

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DM and guilder gain following EMS revaluation

BY OUR FOREIGN AND FINANCIAL STAFF

THE D-Mark and the Dutch guilder registered strong gains on currency markets yesterday following their weekend revaluations within the European Monetary System. The dollar fell generally after fresh reductions in U.S. interest rates.

Sterling, which was not involved in the weekend EMS realignment as it is not a full member of the system, fell against the D-Mark but rallied by 3.8 cents over its Friday close against the dollar to close in London at \$1.8550.

The dollar fell to DM 2.2255 in London from Friday's DM 2.2925 and to Dfl 2.465 from Dfl 2.4375.

Both the German and Dutch currencies were revalued by 5.5 per cent against other EMS members on Sunday, while the French franc and Italian lira were also devalued by 3 per cent.

Trading within the EMS itself was fairly calm, following the adjustments, which had long been expected on the exchange markets.

Following the pattern established after previous realignments, the devalued French franc rose to the top of its new trading band against the D-Mark and guilder, reflecting strong demand from currency operators taking profits by buying back francs at a cheaper rate.

M. Jacques Delors, the French Finance Minister, said in Paris that the franc devaluation should allow a gradual lifting of exchange controls for French residents, and should also permit a progressive reduction in French interest rates.

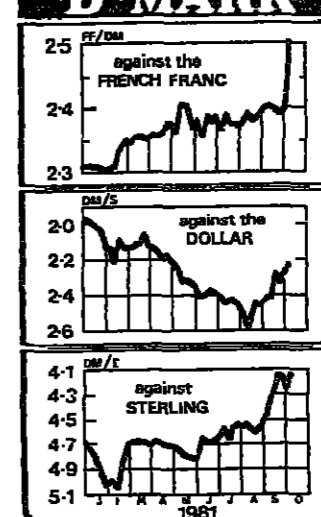
Against the D-Mark, the franc fell by 4.3 per cent yesterday compared with Friday, or only about half the 8.5 per cent margin allowed for in the weekend adjustment.

It closed in Paris at Ffr 2.505 to the D-Mark—level with its new ceiling rate within the system—against Ffr 2.40 on Friday.

The Bank of France sold francs and bought D-Marks at the midday fixing session when the French currency rose to its new ceiling rate.

Within the EMS, the strongest depreciation for the franc in Paris came against the Dutch guilder, which rose by 5 per cent to Ffr 2.266 against Ffr 2.159. The Italian lira, while also devalued against the other strong currencies of the

D-MARK



EMS, performed better than the franc, rising by a little over 1 per cent to Ffr 4.734 for 1,000 lire.

Outside the EMS the dollar rose by 2 per cent in Paris from Ffr 5.485 on Friday to Ffr 5.599, and sterling by about 2.5 per cent to Ffr 10.295.

Apart from the gains against the French franc and lira, the dollar was generally weak against other currencies, depressed by a fall of up to 1 point in Eurodollar deposit rates in London yesterday.

One-month Eurodollar rates fell below the equivalent sterling level, sending the pound to a discount against the dollar in the one-month forward position for the first time since November last year.

Optimism about lower dollar interest rates, which has gained strength from recent indications of a slowdown in the U.S. economy, sparked buying on international bond markets.

On the former London gilt-edged market, the Government broker sold part of the short-term tap stock, Treasury 11 per cent 1985, marking a resumption of the Government's funding programme.

In Frankfurt, long-term German bond prices continued the rally which has been underway for the past month. The rise was partly reflected by foreign investors who felt that

Continued on Back Page

Editorial comment, Page 16

Repercussions of the EMS changes, Page 2

MAJOR U.S. banks have cut their prime rate by 1 per cent, reflecting Wall Street's optimism that today's meeting of the Federal Reserve Board's open market committee will result in a drop in the Federal discount rate.

But although this optimism is reflected in stock and bond prices, some Wall Street analysts warn that any Federal relaxation could set new inflationary forces to work. Back Page

Check through this list of property in the West End...then it's your move.

Location	sq.ft.	Location	sq.ft.
● Ninety Long Acre	193,500	● 160 Brompton Road	6,000
● Central Cross	65,000	● 37 Hill Street	4,685
● Newcombe House, Notting Hill Gate	42,960	● 14 Charles II Street	3,410
● 30 Charles II Street	31,735	● 77 South Audley Street	2,440
● 10/11 Grosvenor Place	27,930	● 33 Bedford Avenue	2,380
● 10/11 Albert Embankment	26,280	● 18 Grosvenor Street	1,940
● Bowater House, Knightsbridge	19,500	● 15/16 Doughty Street	1,185
● Millbank Tower	19,050	● 16 Albemarle Street	1,030
● 45 Berkeley Square	16,340	● Aviation House, Kingsway	1,000
● Aviation House, Kingsway	12,800	● Langham House, Regent Street	330
● 43 Upper Grosvenor Street	8,020		

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Nott fails to gain Malaysian assurance

MR JOHN NOTT, UN Defence Secretary, apparently failed yesterday to gain any assurance from Dr Mahathir, Malaysian Prime Minister, that British businessmen will not be allowed to compete in bids for reconstruction contracts.

Mr Nott said he had assured Dr Mahathir that the United Kingdom was not a "superpower" and was not trying to "impose its will" on other countries. He said he had also assured Dr Mahathir that the United Kingdom was not a "superpower" and was not trying to "impose its will" on other countries.

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Jafar Numeiri: coincident move

Sudan assembly dissolved as Cairo warns Gadaffi

BY ANTHONY McDERMOTT IN CAIRO

PRESIDENT JAFAR NUMEIRI of Sudan yesterday dissolved both the National People's Assembly and the regional equivalent in the south of the country. The move coincided with President Anwar Sadat accusing Col Muammar Gaddafi, the Libyan leader, of preparing to invade Sudan with the backing of the Soviet Union.

Also yesterday, Mr Husni Mubarak, Egyptian Vice-President, returned here from a hastily arranged five-day visit to Washington, during which he pressed the Reagan Administration on dangers facing the region.

Only two days ago Mr Numeiri appointed Gen Omar Mohammed Tayib, the country's security chief since August 1978, a third Vice-President. Gen Tayib said on Sunday that Libya had been setting up an underground army called the "Libyan Salvation Army for the Liberation of Sudan" with revolutionary committees in Khartoum, the capital. Their members had been among some 8,000 people detained last month.

Relations between Sudan and Libya have been deteriorating in recent weeks. Sudan has said that since September 10 Libyan

aircraft, one of which has been shot down, had been strafing Sudanese villages in the west of the country. In July 1978 Libya was believed to have been behind a coup attempt against President Numeiri.

Since he came to power in 1969 there have been one dozen coup attempts. But after the 1978 events, Egypt and Sudan concluded a defence pact and also (with Syria at the time) an agreement that each of the three countries would come to the help of the other regime in the event of an attempted overthrow. Egypt has currently some 800 military advisers in

Sudan. A week ago, Lt-Gen Abdel-Halim Abu Ghazala, Egypt's Defence Minister, said the situation was "more serious than in 1978," adding that "if anything happens in Sudan we are going to intervene."

Mr Sadat, in an interview published yesterday in Mayo, the weekly newspaper of his National Democratic Party, said: "I am really worried about Sudan and cannot ignore the dangers surrounding it... that is why I told the West that I cannot watch indifferently."

Suna, the official Sudanese news agency, has reported that

thousands of Sudanese workers have been expelled from Libya, for not joining the Libyan Liberation Army.

During his visit to Washington, Mr Mubarak is reported to have pressed the U.S. to supply Sudan with Red Eye anti-aircraft missiles.

In Sudan, Mr Numeiri also replaced Mr Abdel Agha, who remains a Vice-President, as the senior official in the predominantly Islamist or Christian region by a southern Moslem, Gen. Gasmallah Abdullah Rassas, as president of a transitional government in the area. SUNA quoted the Sudanese

president as saying that the dissolution of the two Assemblies for which new elections are promised within set periods, was aimed at cutting the size of the People's Assembly from 386 members to 151, in order to reduce its responsibilities which have been partially transferred to the five regional assemblies set up last year.

COMMONWEALTH SUMMIT

Taming a 'rogue elephant'

BY DAVID TONGE IN MELBOURNE

MR ROBERT MULDOON, the pugnacious Prime Minister of New Zealand, has proved the rogue elephant of the Melbourne summit of Commonwealth leaders.

Mr Muldoon had arrived at the summit bitter at not being able to chair last month's Commonwealth Finance Ministers' meeting originally due to be held in Auckland. The Commonwealth moved the meeting in protest at the Springbok rugby tour.

So Mr Muldoon came to Melbourne determined to prove to his public that he had done his duty to the Gleneagles agreement on sporting links with South Africa.

His attempt to make a row in the conference had been expected and it was arranged that Mr Julius Nyerere, President of Tanzania, would south matters. However, his acceptance of Mr Muldoon's basic claim and his wish that Mr Muldoon would be more successful next time fell on an empty chair.

was a fine fellow and they had agreed to exchange high commissioners.

Mr Muldoon had already left the conference room to talk with New Zealand journalists. Elections in New Zealand are due on November 28 and he has been using the summit to help win back ground from the opposition.

He has been campaigning for his stand on Gleneagles and against Mr Shridath Ramphal, the secretary-general of the Commonwealth.

"He would be better concerned taking the minutes," Mr Muldoon said. Mr Ramphal replied that he had been criticised before, by Idi Amin.

The Africans are predictably furious with Mr Muldoon but do not wish to divert time from Namibia.

Also angry but relatively silent is Mr Malcolm Fraser, Australia's Prime Minister, who is hosting the meeting.

The Australian anger is focused on Mr Muldoon's rejection of this weekend's Melbourne declaration on world problems—an Australian initiative—as "a pious declaration composed principally of platitudes."

Mr Muldoon has also been attacking income disparities in developing countries. From the other side, however, he had been attacking the richer countries for taking the oil producers for a ride before 1973 for protectionism, which undermined Third World development.

This leader of 3.1m people has so played a conference grouping leaders of one quarter of the world that his chances of re-election have increased.



Robert Muldoon: withdrew remarks

Namibia talks will resume next week

BY J. D. F. JONES IN JOHANNESBURG

NEGOTIATIONS crucial for the independence of South-West Africa (Namibia) will resume on October 15 when a high-level team of Western diplomats is expected to arrive in Luanda, the capital of Angola.

The envoys are likely to visit a number of "frontline" Black African states before arriving in Cape Town and then going on to Windhoek to meet the Namibian political parties.

The team will be led by Dr Chester Crocker, U.S. Assistant Secretary of State for Africa, and will include Britain's Sir Leonard Allison, Assistant Undersecretary of State in the Foreign Office.

The mission was decided by the Foreign Ministers of the "contact group" of five Western nations (U.S., UK, France, West Germany and Canada) when they met in New York last month. The South Africans earlier sent diplomats to Zurich to seek

fuller details of the U.S. plan to "strengthen" United Nations Security Council Resolution 435.

The U.S. is believed to be trying to make more acceptable to Pretoria the long-standing Security Council proposal for a UN-supervised election leading to Namibia's independence.

This is thought to involve drawing up guarantees of minority rights and some way of minimising what the South Africans consider the "partiality" of the UN to the South-West African People's Organisation (SWAPO). One much discussed possibility would be for the 7,500-strong UN force to use national uniforms rather than the UN blue beret, and to be drawn mainly from Western nations, including Britain.

The South African Government appears to have succeeded in muzzling local Press discussion of the negotiations

according to official reports, less than 20 government forces died in the fighting around Bikan. The state radio claimed that 150 of the guerrillas had been killed.

However, Kurds said that in one ambush last week they killed or injured 70 government troops with minimal losses themselves.

The head of the Kurdish Democratic Party, which is leading the armed campaign for autonomy, said on the clandestine radio that broadcasts from the Kurdish mountains that his forces had withdrawn to avoid civilian casualties.

Faster inflation in Zimbabwe will impede growth, bank warns

BY OUR SALISBURY CORRESPONDENT

ZIMBABWE'S ECONOMY faces slower growth and a faster rate of inflation after an "exceptional" year in 1980 as it runs up against serious constraints in transport, balance of payments and skilled labour, says the authoritative Standard Bank bulletin.

The bulletin, published in Salisbury yesterday by the

Zimbabwean subsidiary of the Standard Chartered group—the country's largest bank—says consumer demand, a 37 per cent increase in government spending, a record agricultural season, rising investment, continuing expansion in manufacturing and another "powerful favourable terms of trade boost" will between them ensure that

gross national product at current prices rises by more than 20 per cent this year for the second successive year.

However, with inflation rising from 8 per cent last year to between 16 and 17 per cent this year, real growth will "at best" reach 6 to 8 per cent as against 14 per cent last year.

It forecasts the first fall in mining production in 18 years, a deteriorating balance of payments position and substantially faster inflation.

The bank says there is little evidence to suggest that tighter monetary policies and three separate rounds of tax increases have had any impact on consumer spending which rose a further 33 per cent after adjust-

ment for inflation in the first four months of this year.

The ratio of government spending to gross national product has risen from 23 per cent in the mid-1970s to an estimated 40 per cent this year. It says the Government must intensify its policies to check the growth of state expenditure. Although bank rate has been

doubled to 9 per cent this year, the bank says the real interest rate remains significantly negative—5 per cent at the short end of the rate pattern and at least 3 per cent at the long end.

The seriousness of the transport position cannot be underestimated.

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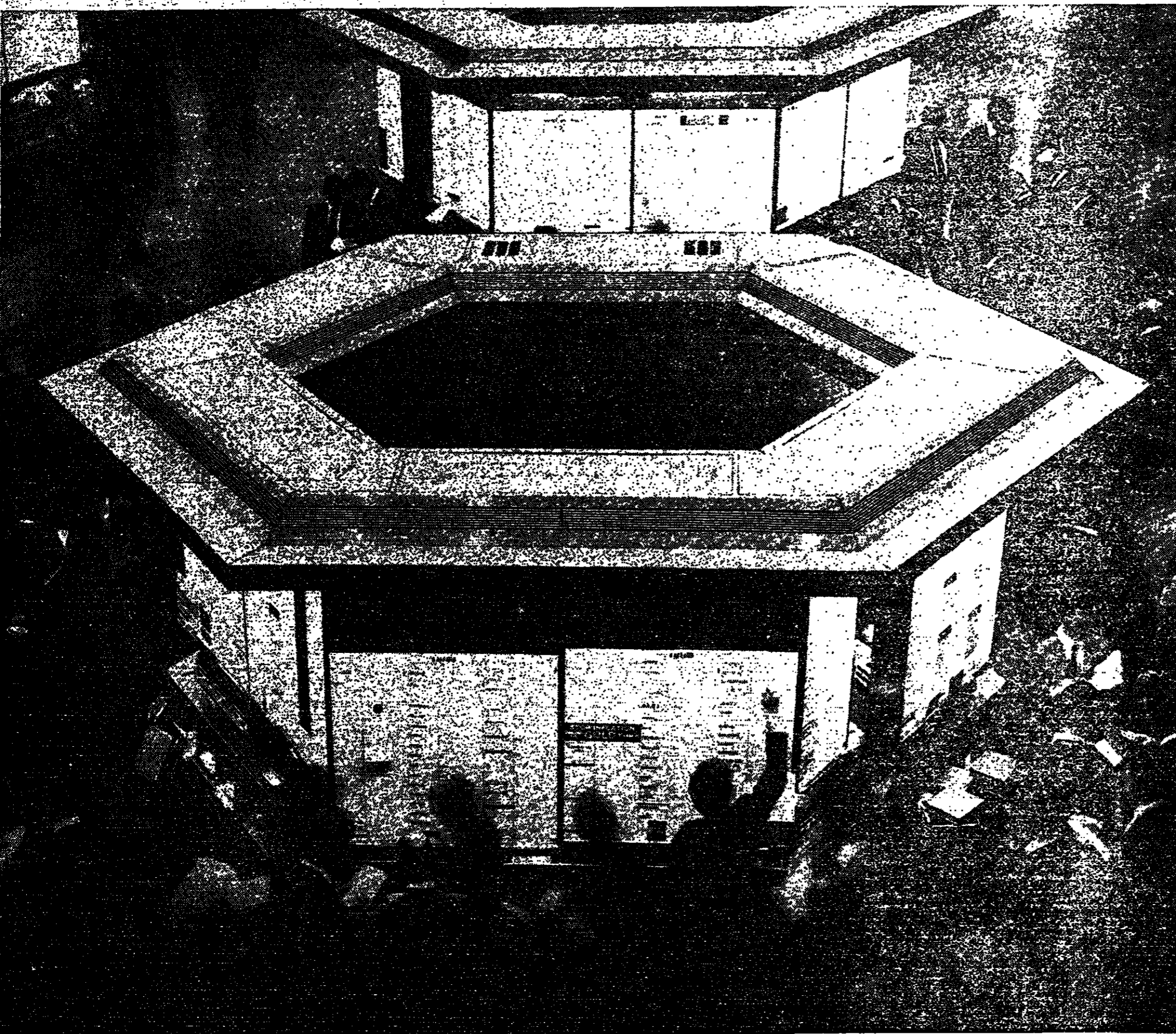
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You have only one life to insure.

How should you choose the right company to insure it?

Before you insure your life, there's something else you really ought to ensure. For your own peace of mind, you should make certain that the insurance company you deal with is a member of one of the recognised life insurance trade associations such as The Life Offices' Association or Associated Scottish Life Offices.

Their members account for about 90% of all ordinary life insurance business written in the United Kingdom.

When you deal with one of these companies you can rest assured that your interests are safeguarded in two important ways.

1. All members of the Associations subscribe to a Code of Selling Practice designed to protect the interests of the consumer.

The Code demands for instance that whenever a representative approaches you he makes it clear that the purpose of the meeting is to discuss life insurance. That all your dealings are treated in complete confidence. That when you take out a life policy the benefits and conditions are explained fully. And that you are not encouraged to commit yourself to premiums which you cannot afford.

2. All members of the Associations have agreed to limits on the rates of commission that may be paid to independent advisers; so you can be confident that where commission is to be paid it will not be an influencing factor in recommending a particular member company.

It's worth remembering that life insurance is probably the biggest purchase you'll ever make apart from your home.

So it's important that you get it right.

If you would like a copy of the Code of Selling Practice, or information about the booklets and educational material produced by the Associations, please write to:-

THE LIFE OFFICES' ASSOCIATION AND ASSOCIATED SCOTTISH LIFE OFFICES

MEMBER COMPANIES AND GROUPS:

American Life Insurance Company	National Farmers Union Mutual Insurance Society Ltd
Australian Mutual Provident Society	National Mutual Life Association of Australasia Ltd
Avon Insurance Company Ltd	National Mutual Life Assurance Society
Barclays Life Assurance Company Ltd	National Provident Institution
Black Horse Life Assurance Company Ltd	Norwich Union Life Insurance Society
Britannic Assurance Company Ltd	NRG London Reinsurance Company Ltd
British and European Reinsurance Company Ltd	Pearl Assurance Company Ltd
Canada Life Assurance Company	Phoenix Assurance Company Ltd
Cannon Assurance Ltd	Pioneer Mutual Insurance Company Ltd
Clerical, Medical and General Life Assurance Society	Property Growth Assurance Company Ltd
Colonial Mutual Life Assurance Society Ltd	Provident Life Association of London Ltd
Commercial Union Assurance Company Ltd	Provident Mutual Life Assurance Association
Confederation Life Insurance Company	Prudential Assurance Company Ltd
Co-operative Insurance Society Ltd	Refuge Assurance Company Ltd
Crusader Insurance Company Ltd	Royal Insurance Company Ltd
Eagle Star Insurance Company Ltd	Royal London Mutual Insurance Society Ltd
Ecclesiastical Insurance Office Ltd	Royal National Pension Fund for Nurses
Economic Insurance Company Ltd	Save & Prosper Insurance Ltd
Equitable Life Assurance Society	Scottish Amicable Life Assurance Society
Federation Mutual Insurance Ltd	Scottish Equitable Life Assurance Society
Friends' Provident Life Office	Scottish Life Assurance Company
FS Assurance Ltd	Scottish Mutual Assurance Society
Gresham Life Assurance Society Ltd	Scottish Provident Institution
Guardian Royal Exchange Assurance Ltd	Scottish Widows' Fund and Life Assurance Society
Hambro Life Assurance Ltd	Standard Life Assurance Company
Hill Samuel Life Assurance Ltd	Sun Alliance and London Assurance Company Ltd
Hodge Life Assurance Company Ltd	Sun Life Assurance Company of Canada
Ideal Insurance Company Ltd	Sun Life Assurance Society Ltd
Imperial Life Assurance Company of Canada	Swiss Life Insurance and Pension Company
Independent Order of Foresters (United Kingdom)	Swiss Reinsurance Company (UK) Ltd
Langham Life Assurance Company Ltd	Teachers' Assurance Company Ltd
Legal and General Assurance Society Ltd	TSB Trust Company Ltd
Life Association of Scotland Ltd	Tyndall Assurance Ltd
London and Manchester Assurance Company Ltd	United Friendly Insurance Company Ltd
London Life Association Ltd	UK Provident
M & G Trust (Assurance) Ltd	University Life Assurance Society
Manufacturers Life Insurance Company	Vanbrugh Life Assurance Ltd
Medical Sickness Group	Victory Insurance Company Ltd
Mercantile and General Reinsurance Company Ltd	Wesleyan and General Assurance Society
Munich Reinsurance Company	Western Australian Insurance Company Ltd
Mutual Life and Citizens' Assurance Company Ltd (of Australia)	Yorkshire-General Life Assurance Company Ltd
NALGO Insurance Association Ltd	Zurich Life Assurance Company Ltd



UK NEWS

Societies predict gloom for home sellers

BY ANDREW TAYLOR

BUILDING SOCIETY chiefs warned yesterday that selling homes this winter will be even more difficult. There are already signs that house prices are starting to decline in selected sectors of the market for the first time.

Societies are expected to announce at least a two percentage point increase in their basic mortgage rate to 15 per cent this Friday. Some smaller societies would prefer to see a higher rate around 15½ per cent.

But Mr Brian Holmes, chief general manager of the Provincial, the country's eighth largest building society, said last night: "I am strongly opposed to

moves to take the rate beyond 15 per cent.

"Household costs are rising fast and one has to bear in mind that local authority rates, gas and electricity charges are all rising too."

Mr Holmes said that the housing market was already under great strain with home owners in the middle price range of £40,000 to £60,000 already experiencing great difficulty in finding buyers. Rising interest rates would only add to this strain.

Mr Chris Hardwick, chief valuer of Leicester Building Society, said: "The recent rise

in general interest rates has already ensured the house market will be even more depressed through the winter period—despite any action which building societies may take this week."

Recent signs that the market may be peaking for first-time buyers, a sector which has been relatively strong, is more disturbing for private house-builders.

Mr Hardwick said: "The recession is beginning to have an effect on what has been a vigorous first-time buyers' market in the lower price range. Even here more houses

are for sale and prices are tending to peak."

Anglia Building Society also accepts that sellers will experience more difficulty this winter. The society will shortly publish a survey for the third quarter of this year. This is expected to show that prices, having risen in the first half of this year by around 5 per cent, have started to decline in some parts of the market.

Last week, Abbey National published a survey which showed that prices nationally had declined by about 4.3 per cent in the third quarter "more than cancelling out the rise

which occurred in the second quarter."

The society said that the average price of a home was £24,501, just over one per cent lower than at the same stage a year ago.

Most estate agents deny there has been a decline in the third quarter, although they admit that sales in the middle price range have come under increased pressure and may have fallen slightly. In most cases prices have remained static, the agents say.

Nevertheless, private house-builders have become increasingly disturbed at recent trends.

MP calls for strict control of quangos

By Robin Pauley

TOUGH RULES to bring Britain's 2,400 "quangos" (quasi-autonomous non-governmental organisations) under the strict control and scrutiny of Parliament are urged in a study published today.

Mr Philip Holland, Tory MP for Carlton and a long-time crusader against quangos, says that as the Government has been passing into the hands of bureaucrats, so the rule of law

on which our parliamentary democracy is based has been seriously eroded.

In his book, *The Governance of Quangos*, published by the Adam Smith Institute, Mr Holland says the quasi-judicial quangos, carefully selected by their ministerial lords and masters in considerable numbers, usurp some of the functions of the independent judiciary.

Mr Holland proposes to introduce a Bill into Parliament which would bring quangos under control and make available details of their membership, administrative costs and the size of their fees and perks.

He estimates that the administrative costs alone of the 2,400 official bodies total about £1.5bn a year.

The *Governance of Quangos*, £2.45, Adam Smith Institute, 50 Westminster Mansions, Little Smith Street, London SW1.

Package flights initiative nearer

By Michael Donne, Aerospace Correspondent

THE POSSIBILITY of UK charter airlines offering cheap seats to "travel only" passengers on package-holiday flights has been brought a step closer.

The Civil Aviation Authority has written to all UK airlines asking for their views on the proposal which would enable businessmen and other travellers to fly from UK regional airports to many continental destinations at a fraction of the cost of normal scheduled services.

The concept was first mooted by Britannia Airways which sought approval for a scheme covering more than 60 continental destinations.

Engineer commodore for BP Shipping

Mr Anthony Fewkes has been appointed engineer commodore of the BP SHIPPING FLEET. He replaces Mr Peter McKenna who has been engineer commodore since 1974.

Early this year Mr Fewkes became engine inspector and chief engineer designate for one of four 105,000-ton crude carriers currently being built in the UK for BP Shipping. The vessel, under construction at Scott Lithgow, Port Glasgow, has yet to be named. BP Shipping operates an owned fleet of 49 tankers with a tonnage of about 4.3m tonnes.

Mr W. J. Donaldson, managing director of Bell and Howell Ltd., has been elected to the post of vice president of the parent organisation, BELL and HOWELL Company of Chicago, Illinois. He will continue to be based at the regional headquarters in Wembley, Middlesex.

Professor I. L. Dillamore, Professor of Metallurgy and Dean of the Faculty of Engineering at the University of Aston, Birmingham, has been appointed director of INCO European Research and Development Centre in Birmingham.

Mrs Alison Newall, has been appointed managing director of computer systems house INTERNATIONAL. She takes over from Mrs Suzette Harold who retires from the company on health grounds.

Mr A. J. Beeson has been appointed marine underwriter, London, marine department, ROYAL INSURANCE (UK).

Mr Philip Ashcroft has been appointed solicitor to BRITISH TELECOMMUNICATIONS. Mr Paul Rothstein, who was solicitor to the Post Office has retired. Mr Ashcroft was appointed deputy to the solicitor to the Post Office last year when the Post was created in readiness for the separation of the two businesses.

Mr A. S. O. Mouchen has been appointed managing director of MCCORQUODALE MACHINE SYSTEMS.

Mr J. D. S. Bennett has been appointed financial director of JOHN MENZIES (HOLDINGS) following the retirement of Mr A. A. Stewart, who remains on the board as a non-executive director.

Mr D. Morgan, managing director, mining division is appointed additionally deputy chief executive of the DOWTY GROUP and is the chief executive designate of D. G. Becher.

Mr Tom Brannan has taken over a newly created position as director of marketing, SHELVOR AND DREWRY.

Mr Roy Hart has been appointed director and general manager for the Loughborough trading region of WHITEHEAD EAST. PENNINES. For the past 21 years he has been sales director for R. White and Sons, Whitehead's soft drinks subsidiary.

Mr C. J. Shannan has become chairman of Cole Chemicals, Cole Equipment and Plastic Products—three trading companies within the COLE GROUP, Parley. He succeeds Dr J. W. Barrett and will continue in office as a director of D. H. Cole, the holding company of the Group.

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Better deal likely for borrowers

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

BUILDING SOCIETIES are likely to give borrowers greater choice over insurance companies, as well as releasing previously confidential valuation reports, because of action taken by the Office of Fair Trading.

The OFT has persuaded the Building Societies Association to alter its advice to member societies governing the way borrowers are treated.

If the association had not altered its rules it could have faced legal action in the Restrictive Practices Court.

The OFT may still decide to take action against individual societies which do not change their rules for borrowers.

Under the changes agreed with the OFT, the association has agreed to:

● No longer recommend that the building societies' rules

should insist on the society acting as agent for building insurance on mortgaged property.

● To withdraw the advice to members that valuation reports should not be disclosed. Some societies already make these available.

● To advise members to limit the circumstances where charges are made for premature redemption.

● To abandon suggested charges for answering inquiries on potential second mortgages.

Mr Gordon Borrie, the director general of Fair Trading, said yesterday he hoped to see "greater flexibility shown from now on by building societies over property insurance, a subject which has often been a source of complaint to the OFT."

Mr Borrie said that if the individual societies followed the association's new recommendations, then consumer complaints should be reduced.

"If any such complaints are made against a particular society, the association has offered to investigate all complaints sent on to it by the OFT provided the complainants want this to be done."

But Mr Borrie also made it clear that if complaints about individual societies continued he would take action to investigate these societies under his existing competition powers.

The agreement between building societies on the rates of interest for mortgages or deposits are exempted from the restrictive trade practices legislation.

Lloyds' assurance group enters mortgage market

BY ERIC SHORT

THE LIFE company of the Lloyds Bank Group, Black Horse Life Assurance, is entering the first home mortgage market. It will offer competitive terms for the purchase of all types of owner-occupied property, including second homes, holiday homes and leasehold residences.

This development is being made independently of the home loan activities of Lloyds Bank itself.

The funds for the mortgage advances are being borrowed from Lloyds Bank to be lent in turn by Black Horse to the prospective buyers. The loan terms are very similar to those for a first mortgage from Lloyds Bank.

But the decision to make an advance will be taken by Black

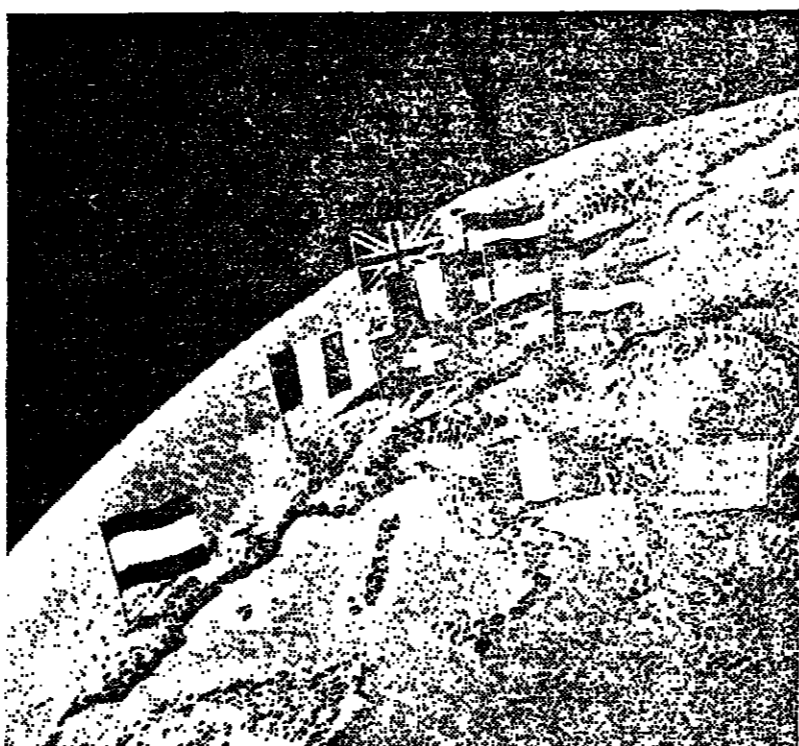
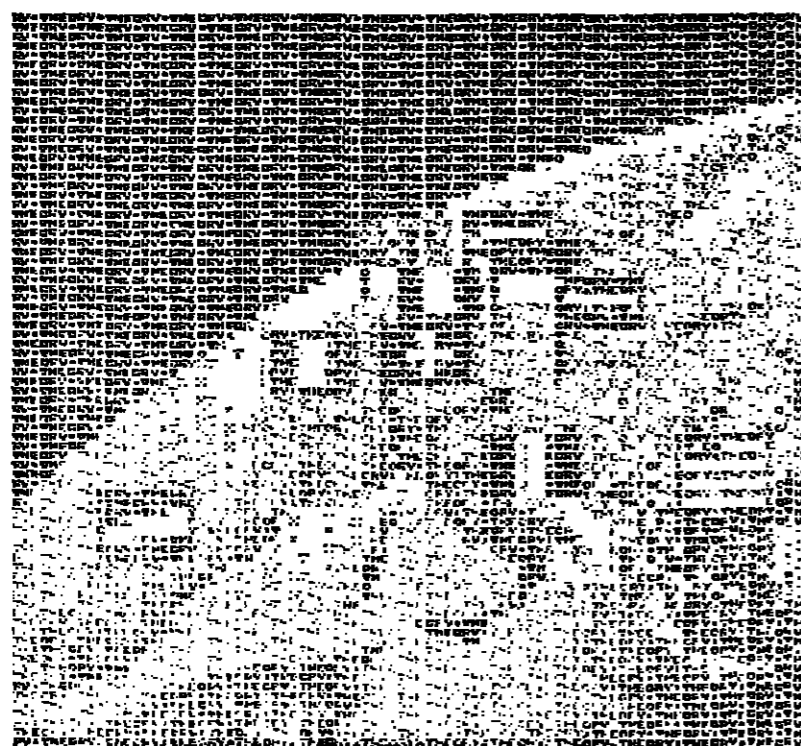
Horse Life, not Lloyds Bank. Repayment of the mortgage must be by an endowment assurance contract issued by Black Horse. And the marketing of the mortgage facilities will be made through the insurance broking outlets of Black Horse Life.

Lloyds Bank in its drive for mortgage business has lent £113m up to the beginning of September, with a total commitment of £200m. A householder taking out a mortgage with Lloyds Bank has a choice of repayment method including using an endowment policy with virtually any life company.

Black Horse Life intends to declare its first bonus rate within a few days. This will affect the cost of repaying any mortgage.

THEORY:

A top international bank must offer local coverage as well as worldwide reach.



REALITY:

In Europe alone, Continental Bank has a network of 20 offices in 10 countries, linked to major money markets around the world.

For years, our European network has provided the Continental banker with the flexibility to meet specific needs from country to country. This link in our worldwide network ensures comprehensive international capabilities. It's what you expect from a top international bank. At Continental Bank, it's reality.



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ANNOUNCEMENTS

Eurobond Salesperson c.£20,000

Eurobond Sales Executive required by a major international bank. Must have at least 3-4 years sales experience and a thorough knowledge of the Eurobond market, both primary and secondary. The ideal person will be aged mid 30s and be able to communicate at senior level with institutional investors and clients.

Business Development Officer c.£16,000

A major American bank is seeking a Business Development Officer aged 28-33 with at least 3-4 years' experience to look after multi-national corporate clients and to develop lending opportunities in Europe. A professional qualification and university degree, together with an American Credit Training background are desirable.

Credit Analyst c.£10,000

Analyst required, aged 28-33, with 3-4 years' experience in credit analysis covering UK, European and S. American credits. U.S. credit training essential. Successful candidates will initially train in the U.S. for 3 months as a credit analyst and subsequently be groomed as a lending officer.

Lending Officer c.£9,000

Graduate with a minimum of 1 year's experience in credit analysis is required by an American bank. Successful candidates will initially train in the U.S. for 3 months as a credit analyst and subsequently be groomed as a lending officer.

LJC Banking Appointments Ltd.
170 BISHOPSGATE, LONDON EC2M 4LX
01-283 9953

COMPANY NOTICES

HITACHI CREDIT CORPORATION

U.S.\$40,000,000 5% Convertible Bonds Due 1996

To the Bondholders:
We, Hitachi Credit Corporation, hereby notify that, as a result of a free distribution of shares of its common stock on 1st October, 1981, to shareholders of record as of 30th September, 1981, Tokyo time, at the rate of 0.1 share for each share held, and an issuance of 3 million shares of its common stock to the public at the price of ¥1,400 per share on 1st October, 1981, the Conversion Price of the above-captioned Bonds has been adjusted pursuant to Condition 5, paragraph (C), sub-paragraph (4) and (v) of the Terms and Conditions of the Bonds from Yen 1,386 41 to Yen 1,773.80 per share, effective as from 1st October, 1981, Tokyo time.

HITACHI CREDIT CORPORATION
15-12, Nishi-Shinjyuku 2-chome,
Miyako-Ju, Tokyo, Japan

6th October, 1981

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We need your donation to enable us to continue our work for the CARE and WELFARE OF MULTIPLE SCLEROSIS sufferers and to continue our commitment to find the cause and cure of MULTIPLE SCLEROSIS through MEDICAL RESEARCH.

Please help—Send a donation today to:

Room F.1
The Multiple Sclerosis Society of G.B. and N.I.
4 Tachbrook Street
London SW1 1JY

ART GALLERIES

WYLLA WAYNE, 17, Old Park St, W.1. Tel. 01-439 4311. Exhibition: sculpture. 7th October 1981.

FELDERMAN GALLERIES, 45, Queen's Gate, St. John's Wood, W.2. Tel. 01-439 4311. Exhibition: sculpture. 7th October 1981.

MATHIAS GALLERIE, 24, Notting Hill Square, W.2. Tel. 01-235 0070. Exhibition: sculpture. 7th October 1981.

WHITECHAPEL ART GALLERY, Whitechapel, E.1. Tel. 01-775 1111. Exhibition: sculpture. 7th October 1981.

LEEYER GALLERY, 20, Rivington St, E.1. Tel. 01-497 1723. Exhibition: sculpture. 7th October 1981.

BROWNE & DABNEY, 19, Cane St, W.2. Tel. 01-734 7881. Exhibition: sculpture. 7th October 1981.

MARLBOROUGH, 5, Aldermanbury, E.C.4. Tel. 01-477 1111. Exhibition: sculpture. 7th October 1981.

THE PARKER GALLERY, 1, Abchurch Lane, E.C.4. Tel. 01-477 1111. Exhibition: sculpture. 7th October 1981.

JOHN PAWLE, 1, Abchurch Lane, E.C.4. Tel. 01-477 1111. Exhibition: sculpture. 7th October 1981.

BRIAN GALLERIES, 7, Portico, W.1. Tel. 01-734 7881. Exhibition: sculpture. 7th October 1981.

DEVON COUNTY COUNCIL, 1, Abchurch Lane, E.C.4. Tel. 01-477 1111. Exhibition: sculpture. 7th October 1981.

PUBLIC NOTICE

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DEVON COUNTY COUNCIL, 1, Abchurch Lane, E.C.4. Tel

The best service station under the Sun?

SOLAR POWER and private transportation are successfully combined in a station that has been taken a step closer together. Since early last year, Amoco has been operating the world's first solar-powered service station. Situated in Chicago, the station gets virtually all its electrical power from 5194 Semix photovoltaic cells. Each cell is four inches square. They're arranged into 72 panels to form a 600-foot square. Peak output is five kilowatts, which is more than half the current consumed by a typical American household.

New Technology

Amoco funded the development of the Semix semi-crystalline cell system for three main reasons. Firstly, to demonstrate their commitment to the search for alternative energy sources. Secondly, to learn more about the economics of photovoltaics in a practical context. And, thirdly, to discover more about the potential applications of these new cells.

Like most photovoltaic cells, the Semix type is made primarily from purified silicon, treated with boron and phosphorus to induce an electrical current. The cell manufacture represents a major departure from conventional methods, which are slow and costly both in materials and energy consumed.

Normally, purified silicon is melted and allowed to grow into a single rod-like crystal. These can measure up to four feet in length and three inches in diameter. This rod is then sawn into wafer-thin cells.

The Semix process entails casting the silicon into bricks. The resulting semi-crystalline cells, cut as squares from the bricks, emerge as randomly-orientated small crystals. With this process, production has been sharply increased and costs drastically reduced. The Amoco station represents the first commercial test of these new cells. As such, it is an undoubted success.

During the day so much current is produced that only a part of it is needed to power the station's pumps, lights and cash registers. The rest is stored in 140 lead-acid batteries, which answers the question of how you get petrol on days when the sun doesn't shine. Or at night.

Solar Power

Despite Amoco's pioneering efforts in America it remains to be seen how effective photovoltaic cells might be in use in, say, Amoco service stations in this country. On America's lower voltage system (115 volts) the batteries provide enough power for five days without sun. In extremely rare cases, when sunlight is blocked by heavy clouds and the batteries are pulled down to 60% charge, a computer automatically cuts in power from the electric company.

That the sun in the UK is capable of providing useful energy has already been proven. Many domestic hot water systems are currently augmented by solar panels. Judging from Amoco's experience, it might well be feasible to use their photovoltaic cell system in this country. But almost certainly as an addition to, rather than a substitute for, conventional sources of electrical power.

Energy Conservation

Even this, of course, would provide a valuable way of conserving the fossil fuels, oil and coal, that form our major source of heat—heat that's needed to fuel the relatively wasteful process of boiling water to drive the turbines that generate electricity. Those same fossil fuels are more valuable to mankind in use where there are no known substitutes.

It's perhaps fortunate that Amoco see themselves as a broad-based energy company rather than just an oil company. They point out that sunlight provides 99.9% of all the Earth's available energy. It's inexhaustible, clean, silent and there's no solar equivalent of OPEC!

Amoco's service station in Chicago may not provide all the answers to a mature solar-electric technology. However, it can claim to be the best run service station under the Sun.

Amoco group spends £500 million on new North Sea field.

A GROUP OF COMPANIES, led by Amoco (UK) Exploration, is investing £500 million to exploit a North Sea oil field, some 300 miles north east of Aberdeen.

The field—North West Hutton—promises to be one of the most productive in the UK sector of the North Sea, and will be a major contributor of oil and gas supplies throughout the 1980's and 1990's. Due to come on stream in late 1982 the field is expected to yield up to 100,000 barrels a day of oil and 75m cubic feet a day of natural gas.

Discovered in 1975, the field is located in exploration block 211/27 and lies beneath 470 feet of treacherous water. As such, North West Hutton is one of the most ambitious field development projects ever attempted in very deep water.

The steel production platform which will be operated by Amoco is necessarily one of the tallest to be constructed in the UK. The basic platform frame—the steel 'jacket'—was assembled in McDermott's Ardara yard in Scotland, just six miles from the site of the historic battle of Culloden.

The size of the frame—Job No. 211/27-A as it was unflatteringly

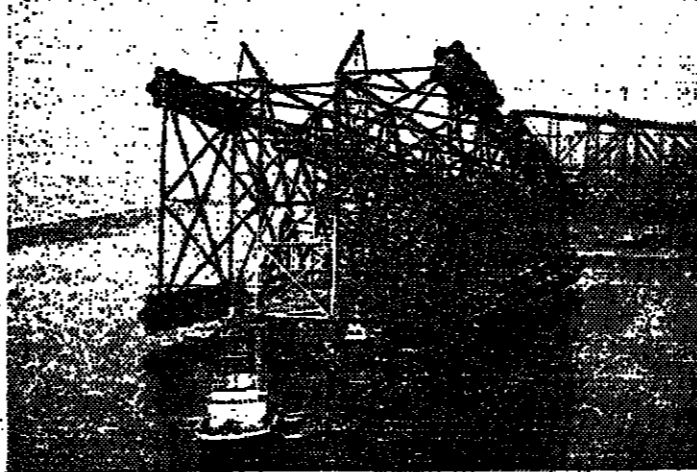
called—demanded new design techniques to reduce the overall weight without sacrificing strength. The result was a unique x-braced design that provided a light but rigid structure.

The frame, which took two years to build at a cost of some £80 million, is 475 feet high. Its base covers some 56,900 square feet while the top deck support covers almost 12,000 square feet. The load-out weight is 16,500 tonnes.

The eight-legged frame begins its journey to the field in mid-September when it was loaded onto a massive low barge. When on site, the structure will be opened and positioned in an extraordinarily delicate and complex operation. It has to sit perfectly above a steel drilling frame—a template—which has already been fixed to the sea bed.

In an effort to save development time and expense, Amoco has already drilled seven production wells through this template. Once the platform is in position these wells will be connected to the production facilities on the deck.

The frame has first to be fixed to the sea bed by means of 20 piles—in essence, gigantic nails, five feet in



diameter and 230 feet long. Then Amoco will install a module support frame which will carry the production and accommodation facilities.

Amoco has a well established policy of using British companies wherever possible. As a result over three-quarters of the North West Hutton contracts have gone to British firms.

Groton (UK) was awarded the fabrication and offshore hook-up work for all the modules—the pre-packaged production and

accommodation units. The modules themselves were sub-contracted to Redpath de Groot Caledonian at Methill, Scotland; Brown & Root (UK) at Great Yarmouth; and De Groot in the Netherlands.

And while development work on North West Hutton continues, Amoco is joining its proven expertise with others in the offshore industry search for more oil and gas that will help to keep the UK self sufficient in energy for years to come.

Project completed on time.

ON OCTOBER 2ND, the Secretary of State for Wales opened what could well prove to be another milestone in Wales' industrial expansion. The new catalytic cracker at Amoco's Milford Haven refinery will enable Amoco to produce about four times as much petrol from the same amount of crude.

Started three years ago as a joint venture with Murco Petroleum, the cat-cracker has cost £94 million and taken a workforce of up to 1,500 to construct it.

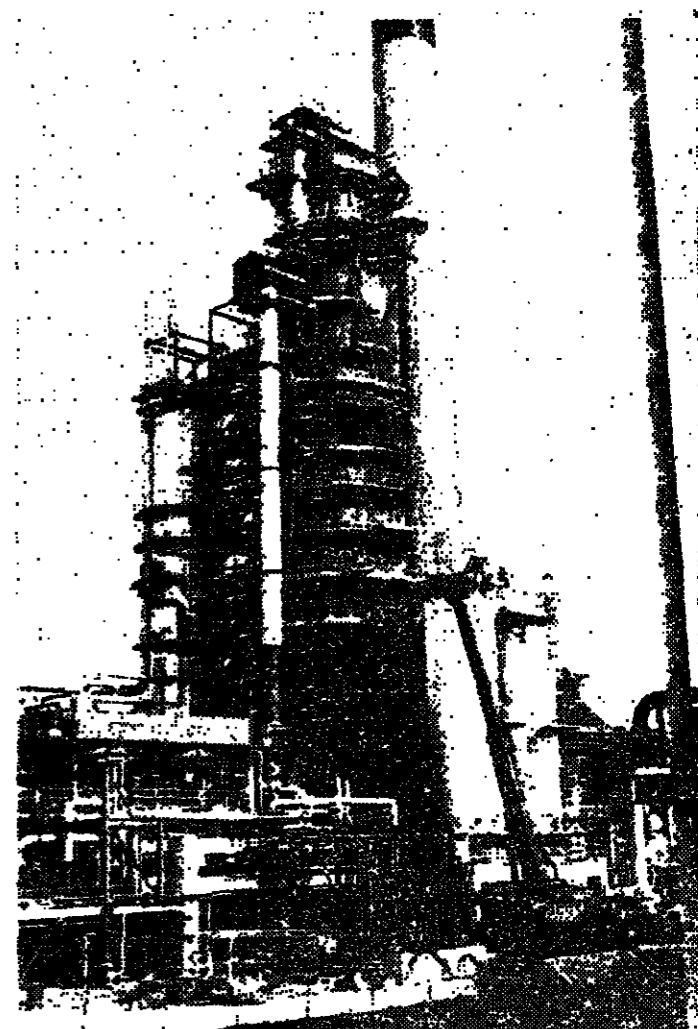
As Bill Havers, the Amoco refinery director pointed out, the project was completed on time. This accomplishment together with the timely completion of the initial refinery in 1976, clearly demonstrates Amoco's ability to manage complex projects with confidence.

Financing arrangements for this joint venture were new at the time of its inception and led to the conclusion of the largest single leasing arrangement of its kind ever written in Britain.

The new facilities include an ultra-Orthoflow cat cracker, a process licensed jointly by Amoco and Pullman Kellogg. The new plant will convert about 25,000 barrels a day of heavy fuel oil into petrol and other light blending stocks. By using the cat-cracker over half of the low grade fuel oil is recycled into high grade fuel-value petrol.

Substantial quantities of liquefied petroleum gas (LPG) are also produced and will be converted into other gasoline blending components by a new alkylation unit.

The cat-cracker was built to answer an increasing demand for 'light end' products, such as petrol, for which there is still no viable substitute, and a decreasing demand for fuel oil.



Employment Boost

The main contractors have all been British, employing UK labour. They include Procon (GB) Ltd; Woodhall-Duckham Ltd; Whessoe Heavy Engineering Ltd and IDC Construction. About 80% of the equipment was purchased in the UK, with a large proportion coming from Welsh companies.

The new processing complex has also boosted local employment. Refinery staff has been increased by 40%—which is 100 people. Some 80% of the total staff at the Milford Haven refinery are local employees, many with no previous oil industry experience, who have been trained, by Amoco, to operate the integrated complex to high safety and environmental standards.

Guess who?



There's one oil company that's making the future look a whole lot brighter. It's busy finding more oil, refining more oil and shedding new light on better ways of selling petrol.

Next time you're out driving,

look for the sign of the Torch.

Because the oil company with so many bright ideas is Amoco. Discover what makes the Torch stand out. Then you'll know why it's Amoco that's getting bigger by being better.

US oil giant starts to get noticed.

IT MIGHT NOT SEEM too hard for an oil company that is one of the world's largest, as well as being a leading petrol retailer in the USA, to get noticed by British motorists. But in fact it has taken nearly twenty years of development and investment to earn Amoco (UK) Ltd the considerable success it is now claiming.

A major reason why Amoco moved in to the UK, back in 1962, was the prospect of oil and gas in the North Sea. Amoco was the first company to discover oil and gas there, and now with interests in eight commercial fields in the UK and Norwegian sectors, it is a major contributor to Britain's energy needs. It is the country's biggest single supplier of natural gas as well as a growing oil producer.

But this cuts little ice with the motorist. Indeed it was not until 1973, with the completion of its own refinery at Milford Haven, that Amoco became a fully integrated manufacturer and marketer of petroleum products. Even then petrol production was a low percentage of its refinery output. But by the mid-70's the economics of oil demand had begun to change and Amoco began to look at ways of increasing its petrol production. It has taken nearly three years and £94 million, but the new catalytic cracker that started up in June at the Milford Haven refinery, will enable Amoco to produce about four times as much petrol as before.

But three years ago, as marketing director Mr. Ted Northcote, readily admits, "The big question was whether Amoco would be able to retail this extra petrol?" As Northcote explains, "For years we had concentrated on the industrial buyer. To shift the emphasis to the motorist was a calculated risk in 1977. Very few motorists had even heard of us."

Customer Loyalty

The nature of the task facing Amoco can best be judged by comparing the size of Amoco's network (300 service stations) with those of Esso (4450), Shell (3830), BP (2920) and Texaco (2020). This goes a long way to explaining Amoco's low level of awareness among motorists. But according to marketing services manager, Mr. Barry Hove, what awareness there was, was all good. Says Hove, "Customers who used Amoco stations saw them as being cleaner and more modern than most of our competitors. This was mostly true simply because they were newer than most of the rival sites." But they had another attraction too. As early as 1970 Amoco had committed itself to self-service stations, believing them to be more attractive to the price-conscious British motorist.

This proved to be a very accurate prediction, although price was not the only factor. Self-service stations were also seen as being faster, a distinct advantage when refuelling a product that no-one actually enjoys buying. Despite this, many thought that the small size of the network, coupled with the fact that Amoco is an American company, would work against them. Not surprisingly, Mr. Hove disagrees. "When you talk about providing friendliness and service, its generally accepted that American companies have a flair for delivering such promises."

In 1979 when Amoco launched its long term marketing plan designed to increase brand awareness and petrol sales, many were sceptical of their chances of success.



Glenn Hankins



Ted Northcote

Surprisingly, having only 300 service stations proved something of an advantage. Within 12 months they had all been given a bright new corporate look, a task that would have been daunting, impossible perhaps, with a larger network. Geographically the stations were confined to a 100 mile wide corridor running up through central England, from the South coast to Liverpool. Amoco was thus able to concentrate its advertising effort and so compete more effectively with other major oil companies.

Mr. Glenn Hankins is managing director of Amoco (UK) Ltd and one of the very few Americans in the management team.

He believes that they have already dispelled the illusion that Amoco is a small company. Now, it is seen as a growing company with considerable technological resources. As Mr. Hankins put it: "We believe that the British motorist has truly begun to notice Amoco. We now intend to reinforce the theme that we are a growing high technology company that provides quality products and superior service. That is what we mean by 'getting bigger by being better'."

Since 1978 Amoco has doubled its

brand share nationally.

Commenting on their achievement so far, Mr. Ted Northcote said, "While it is pleasing to be on target at this stage there is no room for complacency. The fulfilment of our ultimate ambitions will require us to continue to be innovative and bring even more bright ideas to fruition to stay ahead."

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Since 1978 Amoco has doubled its

Oil company gives Welsh Opera something to sing about.

THE ECONOMIC CLIMATE and the level of today's Arts Council grants have made it even more difficult for operatic companies to survive let alone expand. So the continued growth and international acclaim of the Welsh National Opera is a remarkable illustration of what can be achieved with the help of enlightened sponsorship.

Three years ago the WNO's future looked decidedly bleak. Then help came from a totally unexpected source, a major oil company, Amoco (UK) Ltd, which had established a refinery in Wales. Its marketing services manager, Mr. Barry Hove, was aware of the WNO's problem. It was after a long period of strategic and detailed study that Amoco's sponsorship of the WNO for a five year period at last was announced. Mr. Brian McMaster, WNO's general administrator acknowledges that Amoco's support has been vital in helping the company to grow and enhance its international reputation.

With Amoco's support, the WNO is now visiting London, Liverpool and other major cities and has embarked on a number of overseas exchange visits. Its "Tristan und Isolde" was described by one

leading critic as being "universally received as a future classic."

Business Growth

But Amoco's interests do not stop at opera.

Amoco sponsored the George Bernard Shaw exhibition at the National Theatre this year. The Amoco Heritage Collection helps generate funds for the Mary Rose Trust. And the Company has also worked closely with the Amateur Athletics Association—the sponsorship of the recent International Games at Crystal Palace is an example of this co-operation.

Other examples include the Amoco Jockey's Championship—well known to television viewers with the award of the Jockey of the Month prizes—and the Angler of the Month award for coarse fishing. As Mr. Hove commented: "It is good business sense to seek a mutual advantage for both the sponsor and the sponsored. Our aim is to seek goodwill from all those involved with Amoco because we know that, ultimately, this can help to underline customers' loyalty on the forecourt."

The Torch that brightens forecourts.

FEW MOTORISTS can honestly claim that they look forward to buying petrol. In marketing jargon, petrol is a "distress purchase" compared with the many other commodities bought by shoppers.

For most people shopping is a pleasure—at least on some occasions. Retailers try to make their stores as attractive as possible. Customers are dazzled with a wide variety of competitive products. Sales gimmicks, sometimes bordering on sheer entertainment, are used to influence choice.

But how do oil companies go about selling a product that buyers rarely see, that is becoming ever more expensive, that offers no real advantages between brands, that has no real competitor and that is an inescapable necessity of everyday life?

Petrol is big business. In the battle for motorists' allegiance, companies have spent over £12 million on television advertising in the past year alone. Their aim has been to convince motorists that one petrol station is better than another.

However, luring a motorist to a particular petrol pump is one thing. Getting him to return is quite another.

Amoco, despite having a chain of only 300 Service Stations has achieved a rapid increase in volume in the past three years. In some parts of their marketing area Amoco already outsells many better known and larger established competitors. "Amoco provides a good example of how small can be beautiful," commented Mr. Peter Saunders, the company's head of retail operations. "For six months prior to a major television advertising campaign we were actively involved in a planned programme to face-lift all of our service stations, to make them more welcoming to the motorists." Mr. Saunders said that the close teamwork of his organisation contributed considerably to the success of the operation.

But there's another, more subtle reason for the rise in business. "We have faced up to the reality of petrol buying," Mr. Saunders went on. "We have recognised that no-one really

wants to buy petrol. We even said so in our advertising. I think motorists appreciated this honesty. At the same time, the campaign has made us look at all our sites in a new and more critical light."

Self Service

Throughout the 1960's and 1970's Amoco concentrated on introducing self-service facilities at its owned sites. It argued that self-service did offer more advantages to the motorist than the manned pump. Mr. Saunders said that Amoco had also invested "in clean forecourts, a welcoming appearance and friendly staff."

Mr. Ted Northcote, Amoco's marketing director, said that in spite of the company's aggressive marketing campaign, the group had deliberately avoided give-away gimmicks and price cutting as a means of attracting and keeping new customers. Mr. Northcote commented, "Also telling staff to look smart and smile sounded very obvious. But experience has shown that even something as basic as

courtesy could not be taken for granted."

Amoco also intends to build extra business through its Authorised Distributors, independent firms who work closely with Amoco supplying oil fuels to homes, hospitals, schools and smaller garages.

Through them, Amoco is increasing its supply of petrol to service stations in areas that are being neglected by other oil companies.



UK NEWS

Rust control of British vehicles criticised

By Mark Meredith, Scottish Correspondent

CORROSION protection in British cars has been criticised and greater information urged about the life expectancy of vehicles.

Mr Donald Stewart, lecturer in environmental engineering at the University of Strathclyde, in a talk to the Institute of Road Transport Engineers in Glasgow, noted that, according to a Swedish survey, British cars were always below the average life of 18 makes studied for corrosion. Volvo and Mercedes, as well as Volkswagen have occupied the top places in Sweden since 1964.

British cars improved slightly between 1964 and 1974 from 70 per cent of the life of a Volkswagen to 80 per cent. "This means that any Swede who was addicted to British cars would have been about to buy his fourth car when his neighbour had just bought his third VW," Mr Stewart said.

"Exports of British cars to Sweden fell over that decade from 31,775 to 4,125—a fall from 15 per cent to 21 per cent of the Swedish car market."

Mr Stewart said that the VW Beetle and Series 1 Lancia Beta represented the two extremes of corrosion.

Mr Stewart pressed for greater information for owners. The Government, too, must come to realise that premature rusting of cars was an unnecessary drain on the economy.

"It is always nonsense for people to say that corrosion wasn't entirely a bad thing because it kept workers in jobs making the replacements. It is nonsense beyond dispute now that the jobs are in Germany, Japan and Sweden."

Pressures behind ERF's overhaul

THE FURTHER streamlining announced last week by ERF, Britain's last independent heavy truck maker apart from Leyland Vehicles, was made in the face of a dwindling share of a dwindling market.

ERF's share of the UK over-20 tonnes market has slumped from 17 per cent six months ago to about 10 per cent now. And the market itself has contracted enormously. Mr Peter Foden, ERF's chairman, says he expects the heavy trucks sector in which ERF competes to reach no more than 8,000 vehicles this year—a 60 per cent drop on 1980.

It has shrunk to the point where "even slimmed down to minimum size we still can't see how to make profits in the present conditions," says Mr Foden. "With present margins and output we would have to build a vehicle for nothing, in other words, it simply can't be done."

But there are positive aspects to ERF's position.

Resisted

The slide in market share has occurred, insists Mr Foden, because ERF has not been prepared to give the loss-making discount its rivals have. In some cases they have made "substantial" losses, he says.

ERF claims to have been able to resist such tactics, born of the need to sustain cash flow, because, in spite of the unexpected strength of truck sales in the early part of last year, it was convinced a big drop was coming. "As a result, we cut output heavily at an early stage," says Mr Foden.

So, before last Thursday's announcement of a further 190 redundancies (20 per cent of the workforce) and a reduction in the variety of components it offers on its vehicles, ERF had already announced:

● A pay freeze for all employees which has been in effect for 18 months

● A 20 per cent cut in directors' salaries

● The shedding over nine months of 450 jobs out of the previous total of 1,300

● A major overhaul of component stocking procedures to what the company now believes is "the minimum sustainable level."

In addition, ERF had shelved indefinitely plans for a new plant at Wrexham.

"What we did there cost us £500,000, but it would have cost us a lot more if we had carried on with it. There's no way we want more millstones round our neck," says Mr Foden.

The cumulative result was a reduction of nearly 40 per cent in ERF's costs during the preceding 12 months. Even these,

launched recently for purchase by operators which can perform in 20 minutes a systems check traditionally regarded as a two-day stripdown job.

Its new Super B lightweight tractor units are also now entering the market, giving roughly half a ton more payload compared with previous models.

However, instead of expanding the range, which was the original intention for the Wrexham plant, ERF is concentrating it, concentrating on the tractor sector at the expense of rigid trucks. "Eighty per cent of our sales are of tractors, anyway," says Mr Foden.

Currently, ERF is producing eight vehicles a day, equivalent to half annual capacity of 3,500. Only one of the two

factory, says Mr Foden, "is that when it goes bad it goes so fast it's not true—but the same applies to recovery. Whether we'll be ready is another matter."

Part of ERF's problems is that, despite a record performance from its South African assembly subsidiary, which turned over £8.8m last year, ERF is—and Mr Foden makes clear, will remain—mainly dependent on the UK market. Exports account for only about 15 per cent of the business.

The shorter-term difficulty is the fierce price war still raging within the UK. De-stocking by manufacturers may now be moving towards its end, but Mr Foden asserts that the market is still "a very dirty business."

ERF believes it is facing a battle on two fronts.

Sterling

One is from importers, who because of sterling's strength will recently have been able to discount heavily without necessarily eliminating profit margins.

The other is one about which ERF executives are reluctant to talk, but about which there is clearly an undercurrent of anger.

Feedback from dealers and some fleet customers, some of whom have had links with ERF for decades, has led the company to believe that it is the target of a campaign from within Britain to get customers to switch away from ERF by suggesting that it will not be able to survive the recession.

But ERF is fighting back.

Mr Foden says: "We are going to improve our marketing by a number of means and become much more aggressive. We are going to price competitively, but with the savings we have been able to make we will be able to. It still will not involve us in unrealistic discounting."

Plan to turn cargo boats into 'instant warships'

By Michael Donne, Defence Correspondent

BRITISH Aerospace, the aircraft, missiles and space group, has prepared a plan for turning cargo vessels into "instant warships."

The scheme, which is being studied by the Ministry of Defence, envisages the merchant ships carrying containerised housing, complete missile systems. It was put forward by BAe's Dynamics Group.

The containers would come in pairs—one holding the tracking radar, the other holding the launcher and missiles.

This would mean a merchant ship having the same firepower as a modern frigate at less than one-third the cost and could revolutionise the concept of convoys protected by warships.

As each cargo ship would be fully equipped to defend itself, it would add considerably to the defence cover provided by the Royal Navy.

The scheme is possible because of the compact nature of modern missile systems and because of the increasing number of container ships now in use.

Furthermore, it fits into the scheme being studied by NATO for sending merchant ships along defended sea-lanes rather than forming convoys with naval escorts.

The U.S. recently produced a plan to turn container-ships into "instant aircraft carriers." This scheme, called "Arasaka," involves fitting merchant ships with a small flight-deck which could be used by helicopters or Harrier jump-jets.

Traditional banks becoming obsolete, financiers told

By William Hall, Banking Correspondent

THE TRADITIONAL High Street bank branch is becoming obsolete, the days of the generalist bank manager are numbered and the banks' overdraft system is increasingly irrelevant, says Mr Derek Weyer, deputy chairman of Barclays Bank.

Speaking to the European Financial Marketing Association (EFMA) congress in Berlin yesterday, Mr Weyer forecast that it may not be long before British banks start paying interest on current accounts.

The decline of personal customer loyalty, the nationwide promotion of consumer banking products and ready access to bank services by post or telephone indicate that the traditional bank branch is no longer necessary in many respects.

The residual need for the traditional banking branch will lie in the minority of personal customers wanting particular one-off services or advice," says Mr Weyer. Cash points near car parks and supermarkets will become the pattern, and corporate and personal services will be quite separately handled.

The greatest potential market in the UK remains those without bank accounts and Mr

Weyer says the banks need to take a stronger lead in attracting the unbanked.

"The problems of the low level of account balances, plus the number of transactions of weekly paid workers has made banks hesitate to market their services aggressively to them."

In going for this section of the market, the banks will "suffer rising short-term costs in personnel and premises until systems development keeps pace with the growth of business."

However, the only way to serve the mass of consumers economically is through the provision of cash, loans and services facilities by electronic and mechanical means with the minimum of personnel and real estate.

Mr Weyer says the "highly systemised credit scoring method of lending is cheaper, easier and much more appropriate for 90 per cent of customer needs," than the subjective lending judgment of a mature bank manager, normally associated with the granting of overdrafts.

"The flexible but expensive overdraft system traditional to clearing banks in the UK will become increasingly irrelevant."

Bleak future predicted for man-made fibres industry

By Anthony Moreton

ONE WORKER in every five lost his job in the man-made fibres industry last year, following a 14 per cent fall in the workforce in 1979. And the outlook for this year is just as bleak.

In spite of the record 22 per cent drop in employment last year plant closures were not the major factor. The principal cause was the slimming down which took place throughout the industry.

According to the latest report of the Man-made Fibres Producing Industry Training Board, 14 per cent of the drive was due to redundancies in plants still operating. Closures accounted for the remaining 8 per cent.

With most companies predicting further lay-offs, and some redundancies from 1980-81 still to be recorded in the official figures, it is certain that the workforce will drop by at least another 10 per cent this year. This would mean a cut of almost a half in the industry's employment level over three years.

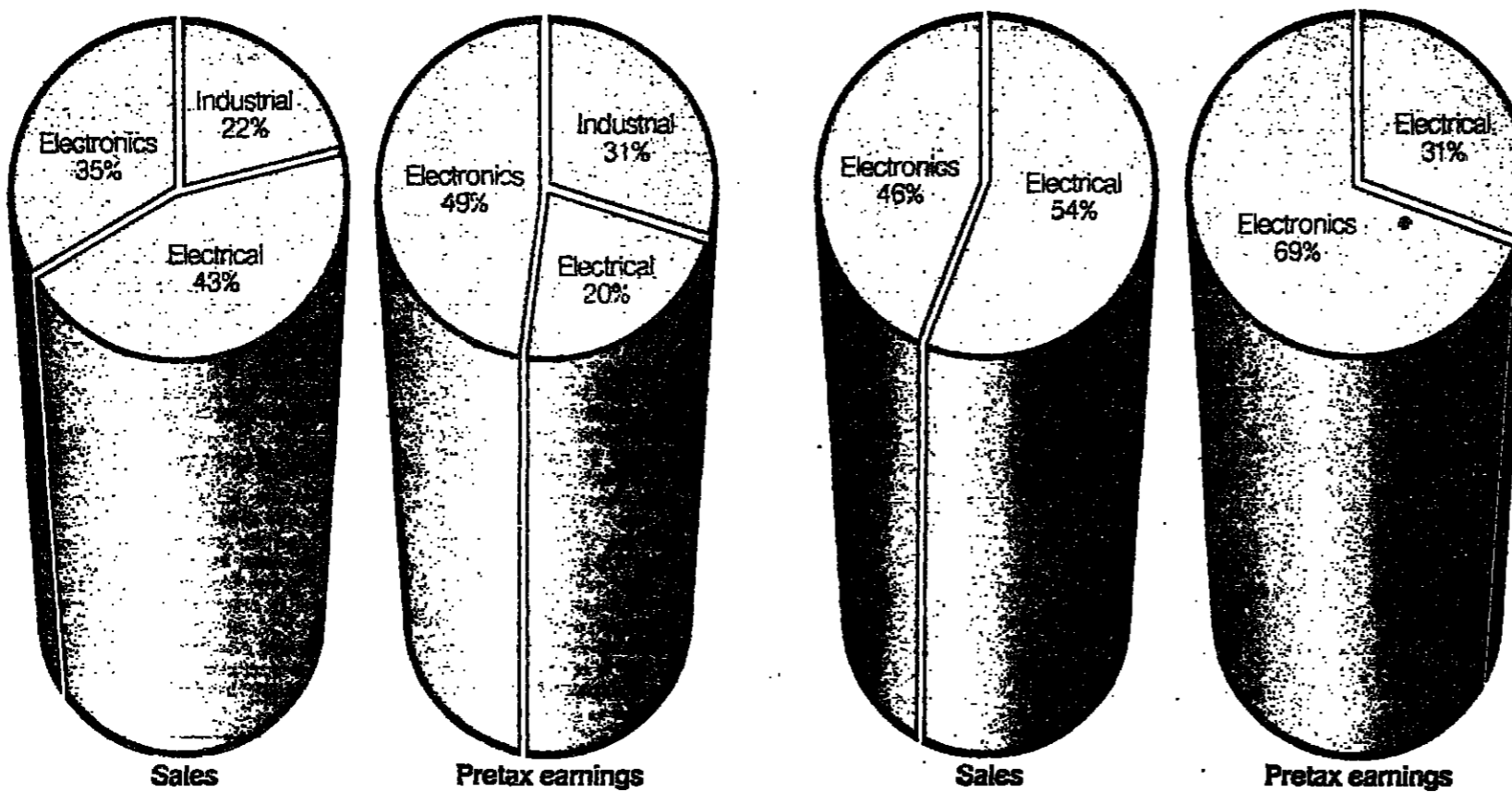
The board warns that there is little likelihood of the 20,000 jobs lost since 1976 ever being recovered. "Higher production levels than those currently forecast would make little difference to manning requirements," and plants already closed will never re-open," it states.

The effect this is having on younger workers can be seen from the fact that, compared with the 124 apprentices who completed their training in 1978, only 103 qualified last year. And of those 38 were not even offered a job.

A similar drop in the number of young people starting jobs is taking place in 1979. The number of craft and technician trainees numbered 175. This had fallen to 115 last year and a "dramatic drop" is forecast for this year.

Man-made Fibres Producing Industry Training Board Report for year ended March 31, 1981. Available from the board at 63 High Street, Rickmansworth, Herts.

Gould focuses on growth in electronics and electrical products.



Before Divestiture
For the six months ended June 30, 1981.

After Divestiture
Restated for the six months ended June 30, 1981.

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The certificates are grey/green in colour and are signed on behalf of First Union National Bank by Velea Katchis. The issuing agent counter-signature, if present, would be unauthorized and presumably a forgery.

The certificates have not been validly issued and, upon payment orders as to each certificate are in place at both First Union National Bank and Citibank, N.A., and the certificates will not be honoured if presented for payment.

Should you require any additional information contact: Marion A. Cowell, Jr., Senior Vice-President and General Counsel, First Union National Bank, at telephone number 704/374-6828, telex 572-412, or S.W.I.F.T. FUNBUS 33, to his attention.

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Frankfurt am Main, 10 October 1981.

DRESDNER BANK
Austrian branch

مكاتب العمل

BR and building groups plan Chunnel partnership

BY LYNTON MOLAN, TRANSPORT CORRESPONDENT

BRITISH RAIL and the European Channel Tunnel Group of four construction companies have joined forces to promote and manage the British portion of the BR-French Railways Channel tunnel project.

The arrangement is a preliminary agreement between BR and the tunnel group to start joint studies. This would lead eventually to a formal partnership, BR said yesterday.

Announcing the proposed partnership, Sir Peter Parker, chairman of British Rail, said: "Work is to start immediately towards developing a formal agreement concerning prospective ownership, construction, operation and financing of the tunnel."

The European Channel Tunnel Group is a consortium of Costain Civil Engineering of Britain, Spie Batignolles Batiment of France, Royal Boskalis Westminster of the Netherlands and Philipp Holzmann of

Germany. The financial adviser to the group is NM Rothschild and Sons.

The group was formed in 1978 and was the first private sector consortium to show interest in the rail tunnel scheme, which is estimated to cost £765m at 1980 prices.

It proposed originally five different schemes for a fixed link across the Channel, but all have been abandoned by the group apart from a plan for a single track, rail only tunnel.

This would be 6.02 metres in diameter with a smaller service tunnel, and is identical to the scheme consistently favoured and formally proposed in the Government by British Rail and French Rail.

The proposal new favoured by the European Channel Tunnel Group requires a government indemnity against "political cancellation" and a minimum-use commitment from the railways.

However, the proposal does not require a government or railway guarantee for completion or overruns on construction costs. Sir Peter said at the Anglo-French Chamber of Commerce lunch in London yesterday.

MPs on the Commons select committee on transport proposed in a report in March a larger bore tunnel, seven metres in diameter, wide enough to allow trains to carry lorries. The committee felt this would be in the longer term national interest and would give flexibility.

However, Sir Peter said the six metre tunnel was all that was required to meet the "commercial interests of the British and French railways."

"Talk of a road shuttle in a single rail tunnel is something we cannot support at all," he said. "Our studies lead us to believe it would be significantly less attractive financially."

Playboy casinos refused licences

By Ray Maughan

PLAYBOY has been refused a renewal of gaming licences at its two important casinos, the Playboy Club in Park Lane and the Clermont Club in Berkeley Square.

The group immediately said that it would appeal against the decision of the City of Westminster licensing magistrates.

For the past three weeks the magistrates have been hearing objections lodged by the Metropolitan Police and the Gaming Board to Playboy's renewal application and, at Caxton Hall yesterday, they decided against Playboy.

The police and the Gaming Board alleged that the club had allowed big gamblers to run up debts with the casinos, and that a director, Mr Clement Freud, Liberal MP for the Isle of Ely, had gambled at the club. Both practices contravene the Gaming Act.

In the event the licences for the Playboy Club were refused because the premises were used for unlawful purposes, and because the company was considered unfit to hold a licence.

The magistrates awarded £78,141 in costs to the Police and £14,575 to the Gaming Board.

Rear Admiral Sir John Treacher, head of Playboy UK, said that it was "wildly exaggerated" to suggest that the decision could jeopardise the Playboy Organisation's worldwide operations.

Playboy's London casinos contributed £31.35m to the Chicago-based organisation's profits of £32m in the nine months ended last March.

The affected casinos will remain in operation during Playboy's appeal against the magistrates' decision before the Crown Court.

County councils censure plans to curb local democracy

BY ROBIN PAULEY

THE Conservative-controlled Association of County Councils yesterday averted — at least temporarily — the mass resignation of Labour and Liberal controlled counties after a tense day of wheeling and dealing.

The association agreed on a resolution rejecting the Government's proposals to force councils to hold referendums if they need to raise more than a centrally-prescribed amount through the rates.

The Labour group decided that this, coupled with other strongly worded objections to the proposed legislation, was at least enough to take back to their councils, although there is still no guarantee that they will accept it.

Derbyshire has already left the association. Labour-controlled Cheshire and Liberal Isle of Wight are among counties which threatened to follow suit if a strong stand was not taken against the Government.

The strong Tory councils of

Oxfordshire, Hampshire, Devon and Buckinghamshire were among those supporting the Labour position, rather than that of the Tory leadership. Labour-controlled Avon was to have considered pulling out of the association but deferred its decision.

The resolution agreed yesterday "reasserts the essential importance of local democracy and of avoiding any further encroachment on local autonomy."

It also rejected a system of referendums as a substitute for electoral responsibility and agreed to "draw the Secretary of State's attention to the fact that the controls he is seeking are technically impractical in certain important respects and are no substitute for the necessary complete overhaul of local government finance."

An earlier Tory resolution had suggested that the proposals would be acceptable only on a temporary basis and expressed

doubts about "technical soundness." This had to be altered to outright opposition, at Labour insistence, to prevent the entire association disintegrating on party lines into two associations.

A representative of Conservative Party Central Office is understood to have attended a Tory group meeting yesterday to deliver a "pep talk" supporting the Government's plans. But the Tory leadership of the association was apparently not impressed and decided "to nail its colours to the mast" in order to save the association.

Mr Ian Coutts, of Norfolk, remained committed to support for the Government but by the end of yesterday afternoon he was almost a lone voice.

There is now considerable speculation about whether some Tory councils might contribute to the Association of Metropolitan Authorities' £500,000 fighting fund against the legislation, even though AMA Tories are refusing to contribute.

Shell chief questions oil company structures

By Martin Dickson, Energy Correspondent

THE INTEGRATED business structures built up over the years by the major oil companies may no longer be appropriate for the international oil industry, Mr Dirk de Bruyne, president of Royal Dutch/Shell, said yesterday.

He told a meeting of financial analysts in London that the radically changed environment in which the oil industry operated meant it had at least two fundamentally different businesses. Oil exploration and production was not necessarily linked to refining and distribution of products.

Logistically, there was an advantage in integration. There might be cases where downstream activities still played an important role in securing a particular supply position upstream.

But for most companies neither argument was any longer enough to justify an integrated supply chain across international borders. Each business must be justifiable in its own right.

"As more and more countries seek their own particular set of energy solutions, this fragmented approach to the business is likely to become more widespread," he said.

The tax structure applied to oil, and the resulting oil price, varied considerably from country to country, reflecting a wide spectrum of political attitudes and economic priorities rather than any commercial logic.

UK demand for oil products totalled only 35.9m tonnes in the first six months of this year — the lowest January to June figure since 1965, the Institute of Petroleum said yesterday. Sales were down 12 per cent, or 5m tonnes, on the same period of 1980.

Illingworth hearing to go ahead

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MRS PAMELA MASON failed yesterday in an attempt to obtain a further postponement of a pending High Court hearing arising from the boardroom battle at Illingworth Morris, the Yorkshire-based textile concern.

On October 16, the court will be asked to grant an injunction stopping Mrs Mason using her dominant voting power in Illingworth Morris to remove from the board the company's two joint chief executives.

At the same hearing, minority shareholders in Illingworth Investment Corporation, which holds 24 per cent of Illingworth Morris, and is also controlled

by Mrs Mason, will ask the court to appoint a receiver and manager of Illingworth.

Yesterday, Mrs Mason asked for the hearing to be postponed until mid-November. Her counsel, Mr William Stubbs, QC, said that it would be impossible for her case to be prepared adequately by October 16.

Mrs Mason was prepared to continue over any extended postponement undertakings she gave at a court hearing on September 23 not to use her voting power to alter the constitution of the Illingworth Morris board, said Mr Stubbs.

The application was opposed by the Lotherby minority and by Mrs Isabella Blench, Mrs Mason's half-sister, who is seeking the injunction against her.

Mr Oliver Weaver, for the Lotherby minority, said that on September 23 all parties to the dispute had agreed to a timetable culminating in an October 16 court hearing.

Mr Justice Slade said that Mrs Mason must stick to the agreed timetable. But, he added, if on October 16 the judge hearing the matter considered it right to grant a further postponement, it would be open to him to do so.

BPM Holdings to buy Argus chain

BY JAMES McDONALD

BPM HOLDINGS, owner of The Birmingham Post and Mail newspaper group, is to buy for just over £20m cash all the assets of the Argus chain of newsprint and tobacco shops from Westminster Press.

Westminster Press, and also the Financial Times, are members of the Pearson London group, and Westminster Press owns 28.5 per cent of the voting ordinary shares and "A" ordinary stock of BPM Holdings.

The Argus shops are in Sussex, Surrey and Hampshire, with the head office in Brighton.

Their purchase will put BPM's retailing activities on a national scale, with a total of 375 outlets and a turnover of over £1m a week.

The terms are subject to contract and the approval of members. The agreed price is £20,044,726, financed by a medium-term bank loan arranged by BPM Holdings.

The price is based on the trading profit of Argus in the year to December 27, 1980, of £240,556. There will be a reduction in the agreed price if profits are not maintained in the 52 weeks to September 26,

1981. The reduction will be 8.5 times any shortfall, subject to a minimum consideration of £1,950,000.

Net assets of Argus on June 27 this year were £1,320,618. This includes freehold and leasehold property at £233,732, which will be revalued professionally on an open market value basis on acquisition, and is expected to show a surplus of about £100,000.

The net assets of Argus also include £647,349 of goodwill, representing the cost to Argus of acquiring its individual news agencies.

Why Bowmaker didn't fit bill

WHEN Marsh and McLennan took over C. T. Bowring, the UK insurance broker with large non-insurance interests, it said it would look to the management of Bowmaker to recommend policies for the continued development of the Bowring subsidiary.

That was more than a year ago. Since then the U.S. based group, which is the world's largest insurance broker, and Bowring have decided that it would be in the interests of all concerned if Bowmaker, the UK's seventh largest credit finance group, was sold.

"The continued development and long-term business prospects of Bowmaker would be enhanced by its becoming a

member of a group whose main-stream activity is more closely allied to Bowmaker's business," Bowring said yesterday, implying that financial groups only need apply.

Marsh has already received approaches from about 30 groups from both sides of the Atlantic and said it would let them know when it was ready to sell.

But yesterday, Mr John Regan, chairman of Marsh, said that insurance broking was a "people-intensive business, and a people

business, not a capital-intensive business, and a people business is not the optimum owner of a finance group requiring capital funding in years to come."

Marsh has already parted company with Singer and Friedlander, the Bowring merchant banking operation, which was sold to European Ferries last year.

The group which Marsh is seeking to sell was founded in 1927 by Mr James Bowmaker, who saw a potential for instalment credit. The group has nearly 1,400 employees and operates from more than 100 offices throughout the UK and through dealers, offering a range of personal credit facilities to private individuals and commercial lending services.

Between 75 per cent to 80 per cent of total business transacted goes towards financing commercial loans for small and medium-sized companies seeking to buy such things as new plant.

The group offers a range of specialist hire purchase and leasing facilities.

Bowmaker was acquired in 1969 by Bowring for more than £46m after a tussle with First National Finance Corporation. The acquisition was part of an ambitious Bowring plan to create a financial services group which would allow a cross-fertilisation of business between the group's various interests.

Insurance broking clients could avail themselves of the facilities offered by Bowmaker, and later by Singer and Friedlander, which was acquired in an agreed £25m bid in 1971. The concept never really worked.

The recession of 1973 and 1974 led to losses at Bowmaker as interest rates soared, and the Bowring group had to enlist and for its stricken offshoot from the clearing bank "lifeboat" committee. At one stage the finance company had borrowed £90m.

Since these dark days, Bowmaker has recovered and showed profits of £5.7m in its last financial year ending in December. At the halfway stage in the current year, profits were £4.6m compared with nearly £2m in the same period in the previous year.

The group includes an engineering company which started from plant hire activities which supported the Bowmaker operations to a large extent during the last war.

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UK NEWS

THE SOCIAL DEMOCRATS AT PERTH

Born again evangelism lifts debate's muted tenor

"SDP set for leadership battle," screamed The Scotsman news-bills as party members emerged to start the second day of their conference.

It seemed a bit of a harsh judgment on the previous day's events, when 80 minutes had been spent in quiet, reasoned debate on how the new party should choose its parliamentary leader.

One sometimes feels that if the Press and TV would only shut up and clear off there would never be a split in any of the political parties.

Yesterday promised to be a somewhat grimmer affair as the conference moved on to a debate on industry, the main battleground of contemporary politics, and one already soaked with the blood of contending armies.

There was a cautious opening speech from Mr Bill Rodgers, the party's industrial spokesman, in which he clarified more what the SDP was opposed to than what it stood for.

Gingerly taking up the subject of industrial relations with the air of a man lifting a can of nitro-glycerine, he declared: "The trade unions must not be made a scape-goat."

The audience clapped politely. "But they can't wash their hands of their share of responsibility for what has gone wrong."

More polite clapping from the rank and file.

Nevertheless Mr Rodgers gave a highly competent performance which—when taken with the previous day's platform speeches—demonstrates the high-political calibre of the defectors from the Labour Party.

As speakers came in the rostrum it was possible to get a more detailed picture of the type of person who has joined the new party.

One fact was immediately clear: there were enough successful small businessmen among them to send a chill down the spine of the electoral strategists at Tory Central Office. Every second speaker seemed to be the director of a modest company.

It also confirmed the first impression of the Social Democrats as a party made up of predominantly middle-class, professional types.

Speakers in the industry debate included a woman lecturer on microbiology, an advertising executive, an economic researcher, an industrial psychologist, the director of a textile company in the South, the chairman of a construction company employing 700 people, plus the holder of the title Scottish Young Businessman of the Year.

Where, one wondered, were the hewers of wood and drawers of water?

Well, we did discover one genuine proletarian: the driver of a caterpillar tractor who had been a shop steward "until I was kicked out."

Once again the tenor of the debate was one of calm, reasoned argument with much talk of profit-sharing and industrial participation.

Some of the soft Scottish accents were so muted that the chairman had to ask people to speak up into the microphone—an injunction unheard of among the ranters and bellowers at a Labour Party conference.

Through it all, however, ran a skein of almost evangelical fervour as members came forward to testify to their conversion. "I was a political virgin," declared one.

Another man revealed that he had been a social democrat for 40 years without realising it "and so have millions of others."

One chap just could not find the words to describe the ecstatic nature of his conversion and finally blurted out: "I just can't believe it is really all happening!"

John Hunt

Jenkins plays down split over decisions on party leadership election

BY PETER RIDDELL

MR ROY JENKINS last night attempted to defuse some of the controversy at the top of the Social Democratic Party about how the leader should be elected.

He said it would be wrong to exaggerate the significance of the dispute. Mr Jenkins and Mr Bill Rodgers believe the leader should be elected solely by the MPs, while Mrs Shirley Williams and Dr David Owen say the election should be by

the membership as a whole. Speaking on the BBC television programme Newsnight, Mr Jenkins said the differences did not mark "the beginning of internecine warfare" as in the Labour Party. The debate, he said, being conducted with goodwill on both sides without any anger. He noted that the final decision would be taken by the whole membership, probably next spring.

There is little doubt, however, that the dispute has led to some tension within the leadership. The issue has become linked to the inevitable manoeuvring about who will become the president of the party in the country, and who will be the parliamentary leader.

Much will depend on whether Mr Jenkins and Mrs Williams are elected to parliament by next summer, when the elections are likely to be held. There is at least an unspoken

agreement among the party's leaders that such differences should not be aired at this week's conference. None of the gang of four is publicly speaking about the issue, and the two sides of the case are being presented at each of the three conferences this week by Mr David Marquand and Mr Mike Thomas, MP for Newcastle E.

During last night's interview Mr Jenkins claimed that the party members in Perth came from a wide variety of backgrounds and places. He said the people were not all middle class and that there were many from Scotland and the North of England.

Mr Jenkins also stressed that the momentum of the party was being maintained, citing the defections from the Labour Party of Dr Dickson Mabon and Mr Bob Mitchell.

Further defections are widely expected. Liberal leader Mr David Steel got a tumultuous reception when he arrived at the conference. But some middle surrounded his visit. At one point he was welcomed by Mr Thomas, and the 700 party members stood and cheered. But Mr Steel did not appear.

I must have frightened him away," said Mr Thomas. When Mr Steel finally arrived

the conference gave him a standing ovation as he made his way to a seat at the back of the hall in an upper gallery.

Mr Jenkins said he had played a "unique and indispensable role" by his courage, skill and determination in bringing about the present opportunity for realignment in politics.

"I believe all of us are proud to work with him as an ally. May we go forward to victory together," he said.



A DIFFERENT BALLGAME: Roy Jenkins welcomes David Steel and his son Rory to Perth yesterday

Rodgers backs voluntary pay policy and less state intervention

BY IVOR OWEN

PARTY LEADERS confirmed that they are prepared to join the Liberals at the next election in advocating an incomes policy.

But co-leader Mr William Rodgers, opening a debate on industrial affairs, stopped short of committing the party to statutory powers.

He was applauded when he made clear that the SDP's support for a mixed economy was based on the belief that there should be less and not more government intervention.

The hurt of industrial change should be eased, but there could be no question of trying to rescue every lame duck, he said.

"We should ease the consequences of inescapable change, but not impede it," he said.

He indicated that the leadership regarded the introduction of genuine industrial democracy as another issue of central importance. There was much scope for voluntary agreements, but he saw it developing faster with the help of legislation.

A succession of speakers, from a taxi driver to a managing director, backed the case for giving employees a voice in the decision-making of the companies for which they

worked. Mr Rodgers caught the mood of the conference when he condemned the doctrinal excesses which had marked recent developments in both the Conservative and Labour parties.

His preference for the "middle way" championed by Mr Harold Macmillan in the 1950s, won another burst of approving cheers.

"This is one reason why many people who once voted Conservative are going to vote SDP at the next election," he forecast.

Mr Rodgers ruled out any commitment to "open-ended" public expenditure, but listed three huge capital projects which should be undertaken.

These were the North Sea gas-gathering pipeline, the phased electrification of all mainline railway services, and the construction of the Channel tunnel.

The "go ahead" for these projects, he maintained, would promote a partnership between the public and private sectors which would demonstrate what Britain could do in a new industrial revolution.

Dealing with the wider aspects of industrial policy, Mr Rodgers underlined the need for a stable economic climate to help the private and public sectors to succeed.

He saw a role for the government in supporting enterprise

and risk-taking, especially by small businesses. "We should, as a government and as a country, be prepared to back winners in key areas of new technology," he declared.

Mr Rodgers suggested that the National Enterprise Board should have a key role in picking the winners.

He called for Government backing for co-operatives and community enterprises. Mr Rodgers insisted that Britain must aim for a "significant level of economic growth," another area of possible disagreement with the Liberals.

He warned that, without economic growth, it would not be possible to deal adequately with the problem of 3m unemployed and the areas of social deprivation which still scarred Britain.

One of the strongest advocates of the introduction of industrial democracy was Mr John Roberts, managing director of a construction company.

He pressed for the redefinition of the term "owners of the business" to include those who, by their skills and their muscle, had contributed to its success. All those who worked in the business, and not just those who had put money into it, should have the right to elect and to dismiss all the directors.

Mitchell defects from Labour

Financial Times Reporter

MR BOB MITCHELL yesterday became the seventeenth Labour MP to defect to the Social Democrats.

There was also mounting speculation that Mr Tom McNally, MP for Stockport South and former adviser to Mr James Callaghan, was about to change sides.

Mr Mitchell, MP for Southampton, Itchen, announced his decision as the SDP conference in Perth.

His move comes only days after the left wing dominated Labour national conference in Brighton.

Mr Mitchell has been working on the edge of leaving the Labour Party for months.

But events at Brighton gave rise to speculation that he might decide against the move after all.

Although Mr Tony Benn was defeated in the deputy leadership contest, his mind was made up by conference decisions backing unilateral disarmament and committing a future Labour government to withdraw from the Common Market without a referendum—two policies to which he is bitterly opposed.

Mr Mitchell said in his home in Southampton:

"This has not been an easy decision as I have been an active member of the Labour Party for 27 years.

He added: "During the last year, the Labour Party has been an ineffective opposition—fighting one another instead of fighting the worst government this country has had this century."

Disillusioned by all this, I decided last May not to seek re-election as Labour candidate for Itchen. My constituency party recently adopted a left-wing candidate in my place.

"Despite the narrow election of Denis Healey as deputy leader and the skillful manipulation of the trade union block vote to make changes in the national executive, many Bennite left-wing policies were adopted by the conference.

"The constituency parties are the backbone of the Labour Party, and it is significant that the overwhelming majority of them, including Southampton, supported Benn and his policies.

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Although Mr Tony Benn was defeated in the deputy leadership contest, his mind was made up by conference decisions backing unilateral disarmament and committing a future Labour government to withdraw from the Common Market without a referendum—two policies to which he is bitterly opposed.

Mr Mitchell said in his home in Southampton:

"Tony Benn has already said that he expects MPs to carry out policies adopted by the conference. I believe that several of these would be disastrous for Britain and I could not vote for them in Parliament."

Mr Mitchell said he could not support some parts of Labour's alternative economic strategy.

MacLennan promises commitment to Scottish Assembly legislation

BY JOHN HUNT

A PROMISE that a government formed by the Social Democrat-Liberal alliance would quickly introduce legislation to set up a devolved Scottish Assembly was given to the conference by Mr Robert MacLennan, MP for Caithness and Sutherland.

"When we bring forward this new legislation in our first government, it will be legislation which will command such widespread support throughout the realm that it will be designed to last," he said.

"There is a growing realisation that the fundamental case for decentralisation of government is as strong wherever you go within the country."

During the debate on decentralisation, it became clear that there was strong support within the party for Scottish devolution. There was a widespread feeling among speakers that, if they could win voters away from the Scottish Nationalist Party, the SDP-Liberal alliance would be in a very strong electoral position north of the border.

Speaker after speaker drew attention to the widespread feeling of nationhood which ran throughout the electorate in Scotland.

This was reinforced by the presence of Mr Iain MacCormick, the former Scottish Nationalist MP for Argyll, who made a powerful speech from the rostrum in favour of a Scottish Assembly.

The whole question of devolution—including the possibility of setting up a Welsh Assembly and English regional bodies—will be thrashed out by the joint constitutional commission which the alliance is now establishing.

Mr MacLennan, who drew up the SDP policy document on decentralisation, said it aimed to achieve a lasting settlement of the constitutional issue, not just to appease fleeting political pressures.

He argued the great inequalities between the geographical areas of the UK had been accentuated by the decline of traditional industries.

"The Social Democrats' commitment to decentralisation is among our most important policy priorities," emphasised Mr MacLennan. "This is no mere form of words. Our proposal to tackle constitutional change is more radical than that of either of the other parties."

"The case for decentralisation of government is, I believe, irresistible. Let there be no doubt; we shall not make the mistakes of those whose temporary commitment to the Assembly was prompted by political expediency."

Mr MacCormick told the conference that the presence in the hall of Mr David Steel, the Liberal leader, was positive proof that all the strands in favour of a Scottish Assembly had come together for the first time.

Winding up the debate, Mr Mike Thomas, MP for Newcastle E, promised: "We will not be implementing devolution out of a mixture of fear and expediency, but because we believe in it."

Owen warns against attractions of unilateral nuclear disarmament

BY IVOR OWEN

THE PARTY must fight public opinion if it swings in favour of Britain going down the road of unilateral nuclear disarmament and withdrawing from the Common Market, Dr David Owen declared yesterday.

In a forthright speech which won repeated applause and a standing ovation, the former Foreign Secretary warned the party not to be tempted to try to bend its policy to fit the public mood.

He hit out at the moves towards unilateralism made by last month's Liberal Assembly, and praised Mr David Steel, the Liberal leader for disassociating himself from them.

Dr Owen conceded that the Labour Party saw unilateralism and withdrawal from the Common Market as popular policies

which could take it back to power.

To cheer he insisted that the SDP response must be to face up to such sentiments with carefully considered arguments and facts and not to run before the wind.

"For Social Democrats to back off from these issues, to blur and mislead the country, would be disastrous," he said.

"It would not be just to deny the principles on which the party was founded."

"I profoundly believe it would destroy our electoral appeal as a party which is prepared to ask the country to face the future and face the facts."

Dr Owen forecast that the next general election would take place with Britain in a state of accelerating economic

and industrial decline.

By seeking to win public opinion round to its point of view, the Social Democrats would demonstrate that their party was not the soft centre.

"The electorate," he said, "will want an incoming government to be demonstrably tough-minded, hard-headed, and resolute."

"The SDP must be a party that is prepared to challenge public opinion, to persuade public opinion and to win opinion round by the very strength of our commitment."

Dr Owen feared that if Britain were to leave the Common Market it would do so in circumstances of bitterness and resentment with no likelihood of getting the generous treatment accorded to Norway

when it finally decided not to join the EEC.

"The effects on unemployment would be devastating," he declared.

Dr Owen stressed that the SDP had just as strong a desire as that of other parties to secure peace and disarmament but it was not prepared to take action which would weaken Nato.

It was through membership of Nato that Britain was able to influence the U.S.

No U.S. president would listen to a country within Nato which opted out of its obligations and undermined the organisations' collective decision-making by taking defence decisions on its own on a purely unilateral basis.

Dr Owen reaffirmed the SDP's opposition to the neutron bomb

and its belief that the £5bn to £8bn which the Government had allocated for the acquisition of the Trident missile system will be better spent on maintaining a conventional balance of forces in Europe.

Two rank and file speakers—Dr Anthony Solomon from Walspool and Mr J. N. Mather from Croydon—directly challenged Dr Owen's views.

Dr Solomon argued that if Britain renounced nuclear arms and refused to accept the stationing of cruise missiles on her territory while remaining within Nato the U.S. would be forced to think again and the world would become a safer place.

Mr Mather urged the party not to allow a few people in the leadership to stand against popular demand.



David Owen

Shirley Williams, Bill Rodgers and John Roper MP during the industry debate

Government agrees to look at more positive industrial policy

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE GOVERNMENT yesterday took a tentative step towards accepting the need for a more positive approach to industrial policy when it agreed that the National Economic Development Office could study the detailed impact of such policies in other European countries.

Mr Geoffrey Chandler, director general of the office, said he hoped this would lead to a series of specific industrial policy proposals for action by the Government and both sides of industry. The Government's acceptance of the study came during a meeting of the National Economic Development Council which debated a paper prepared by Mr Chandler detailing how positive industrial policies had helped European countries.

In particular, he picked out six characteristics which appear to have played a contributory role in our competitors' relative success.

These were continuity and adaptability of policy; concentration of policies such as public purchasing, research and investment aid; a systematic means of examining long-term industrial developments; the selection of certain industrial areas for special attention; investment in human resources; and the establishment of overall consensus.

"None of these characteristics are beyond our ability," said Mr Chandler, who has campaigned for two years for the development of an industrial policy.

"The Continental examples are relevant to us. Many of their components could be applied in the UK and are not conditional on any particular economic philosophy. There is a clear need for the NEDO to develop a view of how in practice this can be effected."

Mr Patrick Jenkin, who was attending his first council meeting as Industry Secretary, said it had been "brave" of the office to draw conclusions. It could be valuable to "look ahead" providing this did not involve "predictive planning."

Sir Geoffrey Howe, Chancellor of the Exchequer, agreed that the UK had to be active in certain key industrial areas such as information technology.

How private sector investment could aid state projects

BY OUR INDUSTRIAL EDITOR

PROPOSALS for the private sector to play a larger role in financing nationalised industry investment projects were put forward yesterday by a National Economic Development Council working party.

Two main types of scheme were considered: These were: ● Obtaining finance for an industry as a whole by direct borrowing in the industry's own name, with a return related to the industry's performance.

● Financing a specific project, or area of activity, by means of joint participation.

The working party concluded that such schemes could allow more worthwhile investment projects to go ahead than is possible under the existing arrangements.

The report, published yesterday, warned, however, that the economy would only benefit if schemes satisfied certain im-

portant conditions. Decisions to provide funds for investment should be taken under conditions of fair competition with private sector borrowers," said the report.

"Any links with the rest of the public sector, government guarantees or commitments, or monopoly power, should not result in the schemes offering to investors a degree of security significantly greater than that available on private sector projects."

"They should also yield benefits in terms of improved efficiency and profit from additional investment commensurate with the cost of raising risk capital from financial markets."

The report said that care would be needed to ensure that the industries' relationships with the Government, and in some cases their monopoly power, did not give investors a preferential position compared with private ventures.

Trading links with other public bodies could ensure that private sector investors bear an appropriate degree of risk.

Following the practice of governments in other countries, the Treasury could help by explicitly removing any form of guarantee.

The report pointed out, however, that guarantees were not the only means of providing a "secure" income or capital value.

Trading links with other public bodies could ensure that private sector investors bear an appropriate degree of risk.

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guarantee certain levels of revenue.

An annex to the report lists possible detailed schemes for access to financial markets. These are:

● Performance-related bonds for general purpose financing covering a complete industry or without any ownership or voting rights issued by a corporation on its own capital.

● Joint ventures with equity participation where the private sector would own a substantial minority of a separate limited company and would influence management.

● Project finance where funds would be raised on a project basis, could be sold and separated from the main business.

● A national government bank, favoured by the public, providing loans and equity capital to private and public enterprises.

TUC warned on joint pay talks

BY PHILIP BASSETT, LABOUR STAFF

TUC LEADERS will be advised today that the prospects of achieving successful inter-union co-ordination and a common strategy over public services pay this year have never been less propitious. This is because of the "acute difficulties" for the unions presented by the Government's cash limit pay provision of 4 per cent.

Confidential documents prepared for today's meeting of the TUC Public Services Committee of drawing up common pay tactics for the coming round seem effectively to rule out such a strategy being fruitfully adopted.

Leaders of about 4th public service workers, including those in local government, teaching and the health and civil services, will be advised that while the need for a common approach has never been more essential, the prospects for achieving successful co-ordination and a common strategy

have never been less propitious. The statement comes in papers prepared by the TUC's Economic Department.

One paper provides an indication of the meeting's possibly more cautious approach to the issue than that of a resolution passed at the TUC Congress last month, seeking every effort to organise co-ordinated action by public service unions during the next pay round.

It calls for the necessary organisation arrangements to be made for collective action to be mounted in a more effective way than in 1980-81.

The document notes that the TUC's Local Government Committee has decided "it would be neither wise nor practicable to aim at achieving complete co-ordination in the 1981-82 pay round though it did not rule out the taking of any possible steps towards this target. Similar arguments apply across the public services as a whole and

the committee may therefore wish to adopt a similar approach to that of the Local Government Committee."

The TUC officials suggest the formulation of claims is still a matter for individual unions, with the role of the Public Services Committee defined as essentially a clearing house for information on claims' progress and settlements concluded.

The paper suggests some common objective including: the preservation creation, or re-statement of pay systems protecting the value of occupational pensions, levelling off job security and redundancy provisions, reducing working time, opposing cash limits and co-ordinating negotiations on the introduction of new technology.

The document carefully excludes consideration of industrial action, in support of a common approach, union leaders are likely to take up TUC officials' suggestion of a special meeting of the commit-

tee in about a month's time to view the progress of claims already or just about to be tabled.

However, another private TUC document on the related issue of the timing of public service pay settlements will also be before today's meetings. While acknowledging the "increased likelihood of a plausible threat of simultaneous action by public service unions should be more effective sanction than those unions now possess," it says the sheer scale of such action and its effects could make it an impracticable weapon.

Further, employers may also feel a common date would permit them to take a stronger negotiating stance over the threat of industrial action. Management would be able to gear plans, resources, supplies, recruitment and other factors specifically to withstand the threat of industrial action at any one time of the year.

Three union officials back to BL work

THREE OF the five full-time staff union representatives at BL's Longbridge plant began normal work for the company this week as part of a drive to end the system whereby senior shop stewards spend all their time on union business.

Two of the staff representatives—who carry out the same function as senior stewards—are members of TASS, the engineering union's white-collar section which management said yesterday had agreed to allow its officials to return to company work.

The company has exhausted negotiating procedures with the Association of Professional, Executive, Clerical and Computer Staff but said the association's one full-time representative at Longbridge had also returned.

The other two full-time staff representatives belong to the Association of Scientific, Technical and Managerial Staffs which is negotiating on the issue. The unions were told in the summer that the company intended to stop the 30-year-old practice of having full-time shop stewards. Since then the nine full-time senior shop stewards representing manual workers at Longbridge have been reduced to two.

Visit cancelled

MR TERRY DUFFY, of the Engineering Workers, and Mr Bill Sims of the steel workers, have cancelled a trip to South Africa so as not to give credence to apartheid.

هكذا من الأجرل

Federico Paternina
BANDA AZUL

© Banda Azul is one of the Paternina Collection - a range of fine wines from Rioja.

Deadlock in shipyards dispute

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE SECOND national one-day strike at British Shipbuilders yesterday showed workforce militancy still high, and no sign of compromise on either side.

The only yard where work carried on relatively normally was the big Vickers yard in Barrow, where the bulk of the 13,000 workforce went in.

However, members of the Electrical and Plumbing Trades Union again observed the strike call from the Confederation of Shipbuilding and Engineering Unions, and the company's more than 300 shop stewards did not cross the EPTU picket lines.

Senior officials of the CSEU

held a meeting of stewards at Vickers on Sunday, aimed at bringing the yard's workers in line with the action taken in other yards.

They were able to secure a commitment from the stewards that they would not work yesterday, but were told that they could not give the same guarantee for their members. Officers from the individual unions will hold meetings with their members in the yard during the week in an attempt to persuade them to strike next Monday.

BS said yesterday that further lay-offs were likely in its shiprepair division, where

the overtime ban is taking most effect. About 700 workers, mainly at Tyne Shiprepair, were laid off last week. The company has warned that if the action continues, permanent redundancies may be declared.

The action is being taken in support of the 120 workers who are occupying the Rob Caledon yard in Dundee to prevent its closure by BS. The yard is the subject of a possible bid by Kestrel Marine, an oil platform manufacturing company, but no firm offer has yet been made.

It ends a period of relatively peaceful industrial relations which have lasted since shipbuilding was nationalised in 1977.

BA cabin staff offer job cuts

By Our Labour Staff

STAFF BELONGING to the British Airlines Stewards and Stewardesses Association yesterday gave their officials a mandate to negotiate with British Airways on plans to reduce cabin staff by 1,000 as part of its rescue package.

The airline's initial proposals broke agreements, the association said yesterday's mandate, was given by a mass meeting. The airline has been seeking agreement on longer working days for cabin staff, less time off work and a smaller amount of rest time. The association represents 3,600 staff on British Airways long haul services and 1,700 on its short haul routes.

Engineering section in fight for merger

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE DISPUTE within the Amalgamated Union of Engineering Workers over plans to merge three of its four sections moved to the High Court yesterday.

Counsel for the three sections asked the court to overturn the Certification Officer's refusal to approve a proposal to merge the union's foundry and construction sections with the engineering section.

The move was opposed by the union's white-collar Technical, Administrative and Supervisory Section (Tass), which fears that its position in the AUEW will be weakened if the merger goes through.

The Certification Officer held that the AUEW's rules formed part of the rules of the engineering section, and were binding on the section, and that these rules were inconsistent with the merger proposal.

That view is challenged by the engineering, foundry and construction sections, which

want the court to declare that the Certification Officer made a legal error.

The court's examination of the rules of the union and its sections will focus in particular on two rules of the AUEW dealing with the constitution of its national executive council and national conference.

Central to the dispute is the decision by the engineering section to expand its national committee from 52 lay delegates to 81, which would have the effect of increasing its representation at the union's national conference.

Tass and the Certification Officer have taken the point that Rule 11 of the AUEW rules refer to "the 52" lay members of the engineers' national committee.

The three merging sections deny that the union's rules are binding on sections, or that there is any inconsistency between the rules and the merger proposal.

The hearing continues today.

New skills test proposed for building apprentices

BY BRIAN GROOM, LABOUR STAFF

THE INTRODUCTION of a skills test which apprentices must pass before achieving craft status forms the basis of new proposals by a working party of the National Federation of Building Trades Employers. These aim to change the industry's training arrangements.

The working party, chaired by the federation's president, Mr Alan Ure, has been considering reforms to meet widespread criticism of the existing system. Many of the issues covered are those which the Manpower Services Commission, in its New Training Initiative, wants to see widely discussed in industry.

The skills test — to be taken after a minimum of 18 months post-college site experience — would be in addition to, rather than instead of, time-serving. The aim is to determine whether the apprentice has actually acquired the skills of his craft.

The National Joint Council for the Building Industry would issue a certificate to the worker on achieving craft status containing details of skills tests passed. The information would also be registered centrally.

The working party's consulta-

tive document, introduced yesterday, proposes:

● An induction period with employers of at least six weeks before trainees, except for those who have completed vocational preparation courses, begin off-the-job training.

● Apprentices and craftsmen should be able to undertake further training after their first skills test to achieve a higher level in their original craft or a 'basic level' in other crafts. This would involve further skills tests before or after completing apprenticeships.

● The Construction Industry Training Board should sponsor many more trainees than at present.

The document is being sent to the federation's regions and affiliated organisations for consideration before the preparation of policy recommendations. These are expected to come before its national council next year for a decision, after which talks may be held with the workers' side of the National Joint Council.

Apprenticeship and Training Arrangements for the Building Industry: NFBE, 82 New Cavendish Street, W1M 8AD.

Diving school 'at risk'

BY OUR LABOUR STAFF

THE GOVERNMENT was warned yesterday that its efforts to pass responsibility for funding the Underwater Training Centre for divers at Fort William, Scotland, to the private sector could eventually result in the school's closure.

Talks with a consortium of oil companies on the school, which provides the only deep-diving training in Britain, have broken down. The Manpower Services Commission is holding exploratory discussions with the Association of Offshore Diving Contractors.

This might result in a scheme whereby the association took over the management.

Individuals would be financed on courses by bank loans or company sponsorships.

Mr John Prescott, Labour MP for Hull East, and Mr Warren Duncan, an Aberdeen-based official of the National Union of Seamen, yesterday told Mr Peter Morrison, Under Secretary at the Department of Employment, that, under such a "voluntary" arrangement, price competition among companies would undermine their willingness to fund training. The unions want training to be funded by a compulsory industry levy.

The MSC has put £5m-£8m into the school since it became involved in 1975.

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to enter a market. In short-term futures this is available only through the International Monetary Market. Not only is the IMM T-bill contract the only successful short-term contract in the world, trading over \$20 billion a day, the new CD contract is becoming an industry standard.

Hedging CD's by using interest rate futures is just one of the many examples of the interlocking relationships that exist in today's domestic and international money markets. Arbitraging between the cash market and the futures market is another. Spreading between CD futures and T-bill futures is yet another. This unusual flexibility is precisely why the IMM has positioned its CD trading pit

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For a copy of the IMM booklet "Inside CD Futures," please write to the International Monetary Market, 444 West Jackson Boulevard, Chicago, Illinois 60606. Or call one of the following IMM numbers:

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Brenner's mountain flavour

TEN YEARS or so ago the Alto Adige (South Tyrol) region of north Italy exported three times more wine than it produced.

Before, however, the eager seekers after wine scandals rush in with scarcely concealed pleasure, it must be pointed out that the vast majority of their exports had come from other Italian wine areas, generally then not geared to exporting. Together with the adjoining Trentino, the Alto Adige exported 50 per cent of all Italian wines sold abroad.

With the rapid development of Italian exports over the last decade this has all changed, and now nearly all the wine from the region that crosses the Brenner Pass is from local vineyards. The average production is around 600,000 hectolitres, and in 1980 no less than 86 per cent of it was DOC wine, compared with a national average of no more than 15 per cent, with 95 per cent of the vineyard area producing DOC wines.

It is a very well-organised industry, with no lack of up-to-date equipment. Even a small co-operative in Bolzano with only 46 members (there are two in the capital city and 21 in the region) has its stainless steel fermentation tanks. The export-minded, the co-ops, which produce almost half the total wine, export only about a quarter of their produce, and it is the 55 private firms, which altogether produce a little less than the co-operatives, who are the leaders in this field. Last year they sold abroad 330,000 hl of Altoadine DOC wine.

It may be doubted whether any substantial quantity of this came to Britain, for the demand lies chiefly in those countries beyond the Brenner which are short of red wine—Switzerland, Germany and Austria.

With this last-named country, indeed, there is a duty-free quota for wines from vineyards formerly part of Austria, as were those of the South Tyrol. Moreover under the Austrian

wine law it is permitted to blend all wines imported in bulk with up to one-third of other wine, a latitude much resented by the Italians, and one that will cease if a proposed new association between Austria and the EEC takes effect. In addition, it is permissible in Switzerland to "top up" bulk wines, though this is interpreted rather more strictly.

Nearly half Alto Adige's exports is the red Lago di Caldaro, produced round a small lake of that name, south of Bolzano and in the German speaking region

to chapalise (add sugar to the fermenting vats), a prohibition which some wine growers grumble about, but one that I hope will continue: for enough added sugar goes into wine.

These red wines, and Meranese, and other Schiava reds from around Merano, are very agreeable to drink within two or three years of the vintage in Bolzano and in the attractive Dolomite resorts on either side of the Brenner road, but fuller-bodied Italian reds from Piedmont and Tuscany have prior

WINE

BY EDMUND PENNING-ROWSELL

better known as Kalterersee, under which label it is most commonly sold north of the Alps. Indeed foreign visitors to those parts may well take it for an Austrian or German wine.

The region would like to increase substantially its wines sold in bottle, and, if possible to insist on all wines being bottled in the region of production, as Alsace did in 1972; but this is not easy in a market traditionally carried on in cask and now in tanker. It would, however, almost certainly improve the quality of the wine.

The same also applies to the district's leading red wine and second largest export, Santa Maddalena, produced on the steep sides of the river valley north of the capital. The chief grape for both is the Schiava, which represents at least 85 per cent, and the remainder may be Lagrein or Pinot Noir.

Grown at anything between 1,000 and 2,000 feet above sea level, they are clean, agreeably aromatic, and gamelike in colour, but like most mountain or northern red wines, for me they lack some flesh and fullness, like the Valtellina wines, not far to the west.

The Italians are not allowed

claim on our attention here in Britain.

It is another matter with the white wines that account for about a quarter of the region's production. Pride of place must be given to the Gewürztraminer, for here is the village of Tramin (Termeno in Italian) which claims its birthplace, and in a local hotel is held an annual exhibition every May of Gewürztraminers from all over the world.

One of the best that I found was made by a leading grower-merchant of the region, Hofstätter of Tramin: a dry, crisp and very typical 1980. A rather special wine made from the comparatively new German white grape, the Kerner, and marketed as De Vite (and thus not a DOC wine but none the worse for that) had the flowery nose of a Rhine Riesling but with more body.

The firm also makes an excellent Pinot Grigio, sweetish but fresh. However, like all Alto Adige producers, most of its wine is red. I found its Santa Maddalena 79 to have more colour and rather more body than most. Visitors to the area should look out for this firm's wines.

The other leading private firm is Kettmeier, long established in Bolzano, and obtaining most of its wines from 200 growers who sell it their grapes. Kettmeier produces an excellent Rhine Riesling, as well as Teroldego Pinot Bianco, the most popular white of the region. It also, of course, makes Lago di Caldaro and Santa Maddalena, and is an important exporter, including to Britain.

In addition to these substantial concerns there are thousands of small growers who rely for their living more on the flood of German holiday-makers that flows across the Brenner each summer than on their wines. So a great many sell to the co-operatives, some of who are organised in a Union of South-Tyrol Co-operatives.

One of the biggest individual co-ops is at Guran, a few miles to the south-west of Bolzano, where I was able to taste a range of wines collected from a number of these producers, whose standards of wine-making are high.

No longer are the DOC white wines pasteurised, and I found the Pinot Grigio 79 and the Gewürztraminer 80 particularly fresh and flavourful. If I had my reservations about most of the reds, a 1979 Südtiroler Blauburger from the Guran cellars had more of the fruit and body that we in Britain look for.

Perhaps one reason why the Alto-Adige wines are not as well known here as they might be is, I was told, because relatively few British people take their summer holiday in these parts, although many surely must visit the proliferating winter sports resorts that culminate in Cortina d'Ampezzo. Those who choose the Brenner as their high road to Verona and the Adriatic resorts should at least stop at one of the restaurants or direct-selling co-operatives that lie a little off this well-thronged autostrada. Alto-Adige wines are distinctive, well made and inexpensive. They are worth a short detour.

Military Band looks in fine tune

each-way value.

The tall Sassarini colt, at one time rated a possible St Leger candidate by Henry Cecil, has gone from strength to strength of late. Last time out Military Band put up a tremendous performance in his Cesarewitch "trial" in easily landing Yarmouth's Nelson Handicap by seven lengths.

Rated at 101 in Timeform's latest weekly "black book" Military Band ought to come out some way ahead of Tomaschek and his other rivals. He will be ridden by George

Duffield, the country's most successful lightweight after Carson.

Although Military Band and Tomaschek had until the week-end been backed almost to the exclusion of the others with the sponsors, the Tote, now report a little interest in both Crispin and Heighlin.

Nick Vigors, for whom Swinging Rebel was a 20th winner of the campaign when scoring at Newmarket on Saturday, looks like providing another winner at Brighton today. There his Town Flier can get

backers off on the right foot through a win in the Sompsing Stakes. Another north Mark Skivly, another young Lambourn handler, should continue his good work with Icen at Newcastle.

BRIGHTON

1.45—Town Flier***

3.15—Mull Of Kintyre**

3.45—Jester's Boy

4.15—Emblazon

NEWCASTLE

2.15—Roldall

3.45—Corked

4.45—Icen*

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only).
7.55-9.00 am News After Noon.
9.00-10.00 am News.
10.00-10.30 am Regional News for England (except London) and SE only: Financial Report; News Headlines with sub-titles. 1.00
10.30-11.00 am The Moon.
11.00-11.30 am For: Schools, Colleges.
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TECHNOLOGY

Making waves for the North Sea

BY MAX COMMANDER

MAKING waves might have an unfortunate meaning for coastal people, but that is exactly what the Hydraulic Research Station (HRS) at Wallingford in Oxfordshire is doing.

A new offshore model basin is being used to stimulate various North Sea conditions and is designed to provide information on the design of a deep sea production system. The latter is being developed by Sir Robert McAuliffe, Humphreys and Glasgow and BICC.

The basin development, due for completion next year, is intended as a viable means of extracting gas and oil from the continental margins to depths of 500 to 1,000 metres.

The HRS models are testing two types of loading terminal—an articulated tower and a permanently moored storage tanker. The presence of the recently constructed basin is its ability to generate short-crested seas over a large area.

This, says HRS, is a new advance and contrasts with the conventional use of long-crested waves. If an accurate simulation of a structure in a natural sea is to be obtained, then short-crested waves are essential.

The basin, measuring 35

metres by 30 with a water depth of two metres, can reproduce realistic North Sea storm conditions.

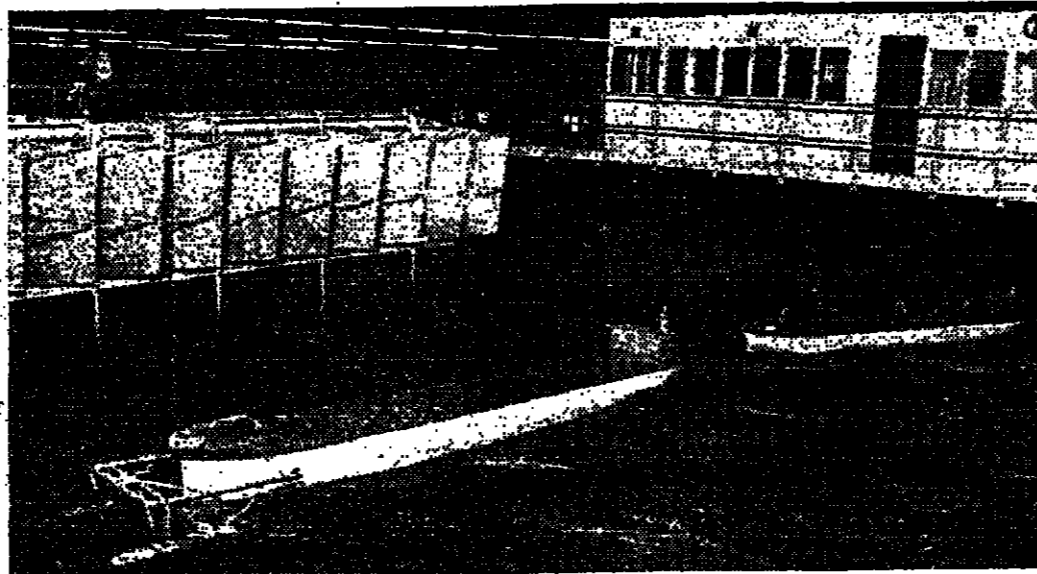
The test area is about 20 metres by 15 with a 4 x 4 x 4 pit located in the centre of the basin. This gives a local water depth of six metres and can be used to test structures designed to operate in deep water where wave activity is not apparent at full depth.

The large working area of the wave basin makes the HRS facility well suited for research projects into the behaviour of large floating structures such as single point moorings and ship-based storage and transfer systems.

The working area is big enough to take a model of a permanently 250,000 tonnes tanker and one of 100,000 tonnes at a scale of 1:75.

Waves are generated by 80 hinged paddles operating up to 1.5 metres deep. Each is servo-controlled by an electro-mechanical actuator with a flat frequency response up to 3Hz.

A procedure based on the HRS random signal synthesiser uses a minicomputer which filters white noise created by the binary shift register. The computer simulates many such signal synthesisers and controls



THE HRS model sea basin in Oxfordshire can stimulate North Sea conditions with long and short-crested waves up to realistic storm conditions

the paddles to produce a short-crested random sea to prescribed directional spectra.

Short-crested random waves with a height of between 0.22 mm and 0.45 mm can be generated. Long crested random seas to the same specification can also be produced with a

frequency range of 0.23 Hz.

Loading on fixed structures is measured by dynamometers incorporated in the floor of the basin. Mooring loads on floating structures can be measured using a range of strain gauged cantilevers and C springs.

HRS says that outputs in

voltages from an optical system eliminate the problems associated with measuring movements by electro-mechanical systems.

HRS is on 0491 35381. The models were supplied by Sea Bed Engineering, West Kirby, Wirral, Cheshire (051-336 5709).

POINTERS

Landing equipment contract

UNDER A long term manufacturing and sales agreement with Wilcox Electric in the U.S., Racal Decca has for some months been making instrument landing ground equipment at its New Malden, Surrey plant.

The company has been fulfilling a £3m Ministry of Defence contract for 37 systems placed last autumn, for installation at Royal Air Force airfields in the UK.

Now there seems a good prospect of developing a market in the civil flying area following orders from Exeter and Cranfield airports, both of which are considering extensions to their systems.

The Racal Decca DNR11 is a fully solid-state system employing digital techniques and has a log periodic localiser array (providing left/right guidance

for the pilot) which is easily expanded from wide to narrow coverage.

The company has a specialist logistic support team which offers comprehensive facilities for site survey design, installation, commissioning and training.

Transfer sheets

SYMBOLS AND graphical images which are standard items common to most architectural drawings in the building industry are available in a new range of transfer sheets introduced by Hona International (UK), 101 St Martin's Lane, London WC2 (01 836 4400).

Honatek is the name of the product drawn to accepted line width and drafting standards, aimed at eliminating time consuming and costly repetitive work.

Based on the company's dry transfer technology introduced earlier this year and developed specifically for drafting work,

the sheets are compatible with other Hona dry transfer sheets (known as the Honaflex system) and other drafting inks and materials.

First batch of 32 'A4' sheets are being offered as an introductory package (or as single sheets at about £1 each)—less than half the current price of available transfers.

Hopper loaders

TWO VACUUM operated hopper loaders from Conair Churchill are the Freeloader, which can load single materials up to 135 kg/h and the Dust-beater, described as a high performance unit conveying up to 225 kg/h.

The company says that both models have magnetic-level controls and the units, unlike loaders with paddle switches, can cycle independently of the materials' angle in the hopper or material characteristics. More on 0895 58181.

CB controversy takes a new turn

BY ELAINE WILLIAMS

THE CONTROVERSY over Citizens' Band radio has taken a new turn with radio paging manufacturers asking to be allocated new operating frequencies in the face of increasing interference by illegal CB enthusiasts.

Over the past four years that the Government has been considering introducing CB in the UK on the 27MHz frequency band, existing 27MHz users, such as radio modellers and paging systems, have realised that their days in the band are numbered. Already aircraft radio controlled modellers are switching to 35MHz.

The radio pagers have suggested a new band between 30 and 40 MHz. At present this is allocated by the Home Office for defence communications but largely unused. Under international radio regulations these spread of bands are permitted for industrial, scientific and medical use, and come well within the applications of radio paging.

But despite calls for a new frequency allocation, the radio paging industry has been told that it will have to wait until CB is operating before the Home Office will consider moving the service.

Already plagued by interference from 1m or so illegal users, the radio paging manufacturers, which include names such as Motorola, Pye Telecommunication, Air Call and Standard Telephones and Cables, have little hope that

interference will be reduced when CB becomes legal next month.

The reason is that selective paging operates on 27 MHz on FM and AM. The legal CB system will operate on FM while AM is now used by the illegal enthusiasts and it is unlikely that many AM users will abandon their sets immediately in favour of legal FM.

Selective radio paging manufacturers will be very happy to leave the crowded 27 MHz band because it is important that the service they provide to hospitals for emergencies, security organisations, and large industrial concerns is free from disruption by outside forces.

There are more than 4,000 radio paging systems operating in the UK with an estimated 100,000 users connected to them. They are used to locate personnel within a building by beeping individual pocket-worn receivers.

Being selective, up to several thousand receivers within a given building can react to a transmitter's signal. Individual beepers are activated by a sequence of tones or coded digital transmissions.

CB transmitters, which are generally more powerful than those used in paging systems, can mask the coded paging signals which may last only a few seconds, preventing individual pagers beeping at all.

Racal and ITT launch into liquid crystal market

BOTH ITT and Racal have announced developments in liquid crystal marketing.

Racal has launched an entirely new display products division which will offer a custom design and manufacturing service in large area devices. The division has been formed from a team already working in-house where colour and large area devices (up to 49 sq in has been achieved).

There have also been some totally new ideas such as re-configuring display/keyboards. To initiate a command an operator need only apply light finger pressure according to a

prompt shown on the LCD. This will cause the display to re-configure and show a new series of prompts. More on 0734 782158.

At Harlow, Essex, ITT Meridian has concluded an agreement with Japanese maker Epson. The product range becoming available as a result includes what is claimed to be the first long-life LCDs for pocket calculators. Expected life for these, and other general purpose LCDs is claimed to be 100,000 hours with a temperature range of -30 to +80 deg C. More on 0279 26811.

Lovell
for Construction

Producing a 250 page book in an hour

GENERAL AND in-plant printers, trade typesetters, advertisement setters and publishers will be interested in a new digital typesetting system from Visitek Graphic Products (09592 476).

Made by Dr Roger Photosatz GmbH of Hamburg, the system is called Scanter 1000 and can output a 250 page book in one hour. It can be expanded as the need grows to an on-line system for up to eight input terminals working into each output unit.

The system uses double sided eight inch floppy discs, one for input and one for output; they can operate independently—but the system is designed for future expansion on-line.

Editing

Composing is performed on a 15 inch diagonal green on black screen with 24 p. (6.5mm) characters. Capacity is 18 lines of 83 characters each. The display memory holds 236 lines.

Editing facilities include bi-directional scrolling, searching, inserting, block movement and text merging and deletion.

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We negotiated a \$59-million dual currency aircraft lease for KLM Royal Dutch Airlines with debt in Dutch guilders.

We provided financial advisory services to a joint venture project formed by American Can Company in Mexico.

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THE MANAGEMENT PAGE

A canny way to hit corporate targets

Nicholas Leslie on how the structure of Scottish Amicable was changed by systematic management

BILL PROUDFOOT was only 36 when he became general manager and actuary of a leading Scottish life assurance society 12 years ago. And, by his own account, he had "no experience in management at all."

When he moved to head office in Glasgow in November, 1969, he believed that changes were needed in the society's objectives and operations. And for this to happen "I thought that everyone would come and ask me questions," he says. In the event, though, "no-one came."

It was then that he realised that it was he who would have to ask the questions—though he was not too sure what they should be and how he should act upon the answers. So, he sought inspiration in a Chartered Institute publication, *The Introduction of Modern Management Techniques in the Industry*.

This listed a variety of publications, including *Improving Business Results*, by John Humble, a management consultant who back in the early 1960s had made a name with a management system called *Management by Objectives*, more commonly referred to as MBO.

Latched on

Though the value of MBO has since been the subject of much argument among management pundits, it was a technique which Proudfoot latched on to and which set him on a path which has enabled him to take his company, Scottish Amicable Life Assurance Society, well up the league table of life offices, with funds now standing at over £1.35bn.

In 1970 it was 31st in the Economist life office performance league; today it is number six and still aiming for a higher place.

On the way, Proudfoot has undoubtedly engineered a metamorphosis of Scottish Amicable, from a somewhat dour and traditional life office to an aggressive, marketing orientated organisation, albeit one which manages to retain an air of Scottish conservatism.

Proudfoot's admitted managerial naivety begs the question of why he was appointed at such an age. But this is answered by the fact that—though probably always destined for the job—he arrived much earlier than anyone, including himself expected. Because of the untimely deaths of senior colleagues—ironic, indeed, in a life assurance company—he first took over the general management of the Australian subsidiary in 1961, only months after arriving as the number two when the general manager of that operation died suddenly. He encountered exactly the same situation when, within months of returning to the UK in early 1969, the former general manager A. T. Haynes died aged 62.

Proudfoot decided to introduce MBO—a system which requires corporate and personal objectives to be set for different sections of an organisation and the people in them and a system of regular checks to be instigated—for a series of pressing reasons.

Competition, both from other life offices and other forms of savings, was intensifying; demands for financial services



Bill Proudfoot: aiming to "give people right down the line an interest in controlling expenses"

were changing; changes were occurring in the traditional pattern of business; computers were being introduced by many life offices giving them an advantage in administrative efficiency; and costs were increasing rapidly.

Proudfoot was also aware of his limited experience and the impending retirement within a few years of the remainder of the then senior management. He therefore felt a management system was necessary to enable him to cope with the changing market conditions.

He is nevertheless, realistic about its uses, describing it as a "glorified check list" which



Located just outside Stirling, Scottish Amicable's Craigforth premises house the service and back-up facilities of the society, while its administrative and investment activities are situated in Glasgow.

tells you what you should aim for, "but not how to do it." The greatest benefit is the amount of management information that emerges, he says.

Jim Campbell, assistant general manager (investment) and head of investment, is equally enthusiastic about the concept but clear also that it is "only a system" and that it is "important to notice when it isn't working and you have got to depart from it."

MBO has, nevertheless, been the basis for a major structural re-shaping of Scottish Amicable's organisation. Different elements of the society have been drawn together and given equal emphasis; for example, equal status is afforded investment, new policies, computer systems and service functions and the people that head them, whereas the investment department was once very removed from other functions.

This reflects the broadening of the society in the past ten years, from just one fund to 14 funds, a unit trust and the Scottish Amicable Pensions Investments subsidiary.

Two of the most important elements of the business are the unit costs and investment performance, says Proudfoot. To

reduce the former is extremely difficult, so business must be maximised to spread the costs per unit. "Everything we do is with these things in mind," he says.

And one of the things that has resulted from the MBO principles—introduced in 1971 by Humble and his consultancy Urwick Orr, was to establish as many cost centres as practicable "to give people right down the line an interest in controlling expenses," says Proudfoot.

Objectives

Indeed, Proudfoot feels that, ultimately, MBO affects people down the line more than at the top of the management tree. This is because while the objectives of the society remain broadly the same, the means by which they are achieved change and employees have to adapt to those changes. He cites the investment changes and the fact that from being invested only in fixed interest stocks back in 1969, the move was then made into equities, into establishing new funds and the unit trust, then into overseas funds and property and, last month an investment plan with a range of investment funds.

Raymond Anderson, assistant general manager (systems) believes MBO is a "natural style you need for computer systems. So many of our objectives are the same as the servicing and new policies sides of the business. The timing of any new launch has to be determined by the speed of our development." In other words it is no use producing a new policy if the computer system cannot cope with the processing of the business.

Proudfoot now believes that the management system operated by the society has evolved well beyond the original basic concept into something particular to Scottish Amicable. But it still provides the basic checks and balances. For example a series of checks takes place two or three times a year whereby, from Proudfoot down, an assessment is made by each manager of his subordinate.

And he believes that every five years or so a major critical self analysis is essential. "You need a big crunch every now and again," he says. "Out of that you get a lot of ideas. In a big organisation it is amazing how many sacred cows are created—and it is hard to slaughter them."

Management abstracts

Manufacturing Organisations in UK and West Germany. A. Sorge + M. Warner in *Management International Review* (Fed. Rep. of Germany). No 1/81: p. 35 (131 pages, tables)

Presents paired comparisons of production plants in UK and West Germany, to seek reasons for similarities and differences in organisational form, job functions and relationship, industrial relations, and training.

Social responsibility. G. Bickert + D. Clutterbuck in *International Management* (UK). May 81: p.30 + 38 (7 pages)

Discusses benefits that can accrue to companies from co-operation with local communities, and describes measures adopted by named firms to achieve mutually advantageous "partnerships." Presents a checklist to measure a company's performance in terms of social responsibility to its employees and to the public.

Doing without standard costing and budgetary control. M. L. Inman in *Management Accounting* (UK), Apr. 81: p. 36 (3 pages)

Argues that for companies that operate standard costing/ variance analysis as well as historical cost accounting and current cost supplementary accounting, standard costing can be time-consuming and sometimes downright misleading; suggests that they ought to consider dropping rate variances and instead concentrate on trends and ratios and move towards replacement costing in management reporting.

Lessons of the entrepreneur. R. Heller in *Management Today* (UK), Apr. 81: p. 54 (61 pages)

Discusses the management styles and philosophies of five successful entrepreneurs (including Lord Weinstock, Sir Charles Forte and Mr Honda); identifies common traits, e.g. the urge to simplify, and argues that the dynamism of such entrepreneurship creates company cultures which outlive the founders' involvement.

Participation as a means of control. J. W. Dickson in *Journal of Management Studies* (UK), Apr. 81: p. 158 (18 pages, tables)

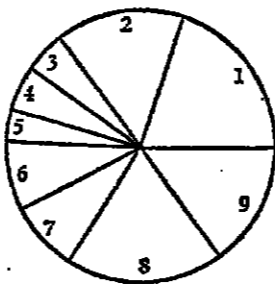
Surveys literature on employee participation and reports research to establish whether such participation increases the influence of the workforce on decisions or allows managers to control movements towards their own goals; finds that it represents an extension of control over employees rather than employee influence over management.

These abstracts are condensed from the abstracting journals published by Ambar Management Publications. Licensed copies of the original articles may be obtained at £2.50 each (including VAT and p + p cash with order) from Ambar, P.O. Box 23, Wembley HA9 8DJ.

between various sector companies.

These companies operate not only in chemicals but also in Pharmaceuticals (Farmitalia Carlo Erba), Fibres (Montefibre), Retailing (Standa) and intermediates for fine chemistry (Acna).

This allows for central co-ordination and policy-making, but in each



specialist activity the companies are autonomous.

From providing petrochemicals to cardiovascular drugs; plant

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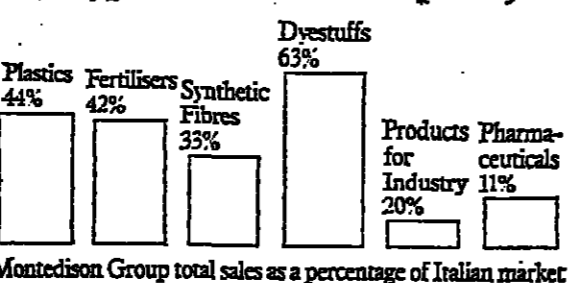
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*Fortune August 10th 1981.



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Lobby fodder

David Lascelles reports on a U.S. study

THE ABILITY to cope with pressure groups has become a necessary managerial talent these days as business finds itself at the centre of an ever-growing number of controversies. But how troublesome a problem is it, and how is management responding?

A new study* by the Conference Board, the New York-based business research group, reports that the overwhelming majority of companies in the U.S., Europe and Japan, as well as Latin America and other areas, say that they have noticed increased attempts by outsiders to participate in their decision-making over the last five years—often with some effect.

Surprisingly, perhaps, the most active pressure groups are not the much publicised environmental, consumer and women's rights lobbies which have campaigned so aggressively in recent years. They are the traditional business and industry organisations and religious groups. Less surprising is the involvement of political parties and the trade unions.

Of the 400 companies surveyed: 71 per cent reported encounters with trade unions, mainly over issues involving plant closures and staffing; 47 per cent said political parties had tried to involve themselves in corporate decision-making; 40 per cent reported pressure from industrial trade groups, usually in support of various business and industry interests for lobbying purposes; 35 per cent had been confronted by religious groups, mainly the Catholic Church, and various members of the World Council of Churches. Presumably, they were most concerned with issues like abortion and contacts with South Africa. Pressure groups representing particular lobbies known as "single interest groups" (such as minority and consumer groups), have also been making themselves felt.

Of the sample: 56 per cent had had "confrontational contact" with environmental groups; 43 per cent with consumer groups, mainly in the U.S. and Japan; 35 per cent with minority and ethnic organisations; 32 per cent with community groups; 22 per cent with feminist groups; and 15 per cent with groups representing the handicapped.

Allen Janger, the Board's director of management research, and Ronald Berendheim, a senior research associate who prepared the study, report that

pressure on companies comes "in the form of a demand by people outside management for participation in the running of the larger public good. In decisions traditionally reserved to management, such as hiring policy and plant location. These outsiders do not regard any aspect of company operation as sacrosanct or 'proprietary' they add.

One indication of the effect that these groups are having is that nearly half the executives surveyed said that some pressure groups had more influence on selected issues even than governments, the study says.

A major part of the study is devoted to examining how management is reacting to these new pressures and this showed a variety of tactics. Very few firms choose to ignore them altogether. The largest proportion (40 per cent) try to exchange views. A slightly smaller proportion (38 per cent) attempt to clarify the basic issues of the dispute. A small number (14 per cent) go hardy and try to persuade the pressure groups that the company position is correct. This tactic, the study finds, is particularly widely used in the nuclear power industry and among companies with business in South Africa.

The result of all this is that more and more companies, it seems, are formulating policies to deal with pressure groups. These policies are mainly passive, companies prepare positions in anticipation of attack. But a growing minority are taking a more active approach, seeking out pressure groups with whom they are likely to come into conflict and trying to head them off.

The authors of the study advise that the evidence they have put together should not be ignored. "Experience seems to teach executives that a major company cannot get along in the current environment without a planned external relations policy or strategy."

External challenges to management decisions, a growing international business problem. Report No 806, The Conference Board, 845 3rd Avenue, New York, NY 10022, 63pp, \$15 for associates, \$45 for non-associates.

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Collages by WILLIAM PACKER

WILLIAM PACKER

by ANTHONY CURTIS

Such a conference was held. lack of them) offered to trans-

A day of new music

by DOMINIC GILL

Cage, in any case, regarded the audience and the performers of his *Musicircus* as more important than the music. And

amicable and fruitful seminar. It is hoped to have a profound effect.

Chief among these was the accompaniment throughout the pieces of the quiet gurgle of guinea-pipes, like a dozen contented rainwater-pipes, through the ICA's rainwater-pipes. If there had to be an accompaniment, we could have asked for none better: a natural partner of the music, moist and delicate. Feldman's downward image of the work is different: he calls it "probably the most beautiful in captivity."

But to me it seems like a humid and ephemerally like the music on a bathroom window pane.

into obscurity and finally a kind of genteel poverty.

In 1937 he took himself away from Hitler's Germany, and the years that remained to him were spent in the United States, Norway and then from 1940 in England. After provisional internment in a number of camps he spent the rest of the war in London, and then moved to Ambleside. He died in Kendal General Hospital early in 1948, the day after his British citizenship was confirmed, and was buried in the churchyard of the same yard. He had wished to have one of his earlier sculptures to

New Bruce Beresford film announced

Bruce Beresford, Australian-born director of the film *Breaker Morant*, has signed a direct and co-produce a major feature film based on the novel *The Fringe Dwellers* by the Australian author Neville Gare. It is to be shot entirely in location in Western Australia and tells the story of a young part-Aboriginal girl's struggle to free herself from, and to rise above, her poverty-stricken background.

Paris: Theatre des Champs Elysees
**Hungarian National
Ballet** by CLEMENT CRISP

I had several anticipatory reservations about *The Wooden Prince*; the story is too quaint, the score far too long. Geoffrey Cantley, in staging it for Festival Theatre, has been completely trapped in its coils. But the Euphates choreographer, Laszlo Szergei, has been able to prune the music to a maximum 40 minutes—cuts which have spared the audience the worst of the ballet, while still a feeble narrative, is at least rescued from rambling fairytale cuteness. Szergei takes a clear, full view of the tale. He is helped by a superbly cast of 12 dancers, cast forest by Gabor Forray, with the little princess skied in her tower center stage, all of which admits of clever transformation by projections, and an inextinguishable Chinese, is the stuff of jaw-wrenching theatrical boredom. But, *mirabile dictu*, Laszlo Szergei's setting for the 40 minutes is wholly successful. Gabor Forray's setting is superb, an "inside/outside" decor which shows the whore's parlour and a towering relic of the past, and the three prostitutes across an iron cast-walk diagonally cuts. (Projections are used at the start of *Mumukshu*, as they are in the other two works, to brilliant effect.) The first of the three pimps, who Pengor was the bait strewn and manipulated in acrobatic acceptance of the demands of the three pimps, and fine. Imre Dozsa made the Mandarin an implacable, menacing, obsessed

Elizabeth Hall
Monteverdi Choir

Sunday's concert by the Monteverdi Choir and Orchestra coupled apparently kindred works, Haydn's symphony No. 48, the "Maria Theresa," and his B flat Mass of 1799 or *Theresien-Messe*. But not just a quarter of a century separates the two works; the Maria Theresa who visited Esterhaz in 1773 for whom Haydn wrote the symphony is a different empress altogether from the Marie Therese, second wife of Emperor Francis I, who was such a staunch admirer of the

However spurious the connection, the works formed the basis of an uncommonly inspiring concert. The conductor was Sir John Rignold, who, in a way with Haydn is evidently to go far broke, to drive the music with as much energy as it can hold. In the symphony the orchestra took a while to settle down to the exuberant pace of the first movement; as at the start of the concert it had been as if the orchestra were flexing its chords, singing in Handel's Coronation Anthem *The King shall rejoice*; once in gear, how-

out most stylishly. Yet the performance was dominated by the excellence of the choir: the sound was given bite and clarity by the use of male altos and by the use of the soprano soloist on every rhythm and to fix each tempo quite positively. Too many delishies to detail, but the whole of the Credo was a series of them, the opening given a stealthy tread, the *Incarnation* of "Et incarnatus" done by the sopranos with great delicacy, the syllables of "Et iterum venturus" spat out with vivid precision.

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THEATRES

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F.T. CROSSWORD-PUZZLE No. 4690

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2 Proverbs give notice to generations (6)	18 Little plus four — that takes the biscuit (5)
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4 A pious wish follows inclination for a spell (7)	21 Get on to Parliament — it is free (2, 3, 5)
5 Run down from the Bridge, stuffed like a bird (4, 6)	23 The bad guy gets into the country, how? (3)
6 "There is a divinity that shapes our. —" (Hamlet) (4)	24 Corroborate disturbance with the old airline (4, 3)
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- Tommy's term in France (5)
- The governor takes in street thief (7)
- Nautical orderly (9)
- Note precipitation where he is discharged (5)
- Collects the rags in confusion (7)
- Twist the meaning of spruce (8)
- "Thou art more lovely and more —" (Sonnet's) (8)
- Benefice for those still without (3, 6)
- Is a deputy about this time (9)

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 19 Sound the horn on a French unly (5)
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Tuesday October 6 1981

Europe adjusts, Regan explains

ON THIS morning after the night before, the currency markets appear to be refreshed rather than hung over. The well-anticipated realignment in the European Monetary System has removed a major source of speculation from the scene. Stepping back in the uncertainty of having relatively high-interest rates, rose quite strongly in these calmer conditions, as might be expected. The weakness of the dollar after the event seems to arise from another cause: an interview with the U.S. Treasury Secretary, Mr. Donald Regan, explaining the need for a relatively accommodating stance by the Federal Reserve Board.

Price controls

The EMS realignment was obviously necessary, and has been achieved reasonably smoothly. The system remains rather impressive. However, the need for a further realignment must again raise some doubts about how far the system is meeting its original aims. It has clearly failed to produce any very strong convergence in inflation rates—indeed, the former regime of M. Giscard d'Estaing fell quite largely because of a sharp rise in prices after controls were abolished, which showed how slowly national habits respond to such a discipline in a buoyant economy, produced a largely unjust impression of economic failure.

Price controls are coming back again in France, but otherwise national policies within the group seem as divergent as before. Unless internal management is aimed to help the system—or at the very least at a set of current account balances—the strains will reappear.

It can, however, be claimed that the operation of the EMS has dampened the wild swings which sterling and the dollar have been subjected under a relatively free float and the business community may well feel that in itself is a prize worth winning. The recent weakness of sterling may well be a mirror image of its over-

valuation last year. Because trade flows take time to respond to any change in competitiveness, a highly unstable exchange rate is likely to produce an equally unstable current account.

This instability is the result of a monetary policy which continued a tight squeeze when the economy was in full retreat, and was belatedly relaxed just as the stock cycle was reaching its low point. This is a characteristic error of an over-simplified monetary policy, and the danger is especially acute when the monetary target is broadly defined. The debility of high interest rates, compounded by direct borrowing as the economy turns down, tends to produce a critical narrowing of climate, and overshooting results if this is resisted too vigorously.

This was Mr. Regan's central point in his exposition of U.S. monetary policy. The Fed has been supplying reserves quite freely since July, and short-term dollar interest rates have fallen a long way from their peak. However, fears that this relaxation is premature, compounded with worries about the sale of U.S. Treasury borrowings, have kept long rates at record levels.

Helpful trends

The Fed's actions, and Mr. Regan's explanations of them, appear sensible; but the fact that he has made a public statement, and still more the subsequent urging of ease from the White House, carry their own risks. U.S. monetary growth is well within its target range, and the Fed is right to take a long-term view of the broader aggregates. However, any attempt to steal political credit for what is essentially a finely-judged technical operation, designed to accommodate distress borrowing and its foreign demand for dollar deposits, could backfire.

Confidence in the financial markets, essential if recent more helpful trends are to be consolidated, may be helped by careful explanations; but it will not survive any impression that the Administration is pushing the Fed into what it regards as a dangerous territory. A declaration of independence from Mr. Paul Volcker might be timely.

Problems of the MX missile

PRESIDENT REAGAN'S long-awaited decision on the modernising and strengthening of America's strategic nuclear forces should, in aggregate, gratify those of his supporters who have long campaigned against what they see as a steady deterioration in the strategic balance between the U.S. and the Soviet Union. But it is not at all clear that the decision on the new MX land-based missile corresponds to a sensible strategic rationale, let alone that it offers a solution to the problem of which Ronald Reagan made so much when he was campaigning for office a year ago. To that extent his announcement is likely to provoke criticism not only from liberals but also from arch-conservatives.

Real problem

The most crucial issue, of course, is that of the basing of the MX missile, which has been bedevilled by the theory that America's existing Minuteman land-based missiles (or, if soon to be replaced by the more vulnerable Titan or Minuteman fixed silos—does nothing to deal with the supposed problem of vulnerability).

On the contrary, if this problem is real, it may only be made worse by the proposed deployment. The replacement of Minuteman (with three warheads) by larger MX (with ten warheads) must increase the determination to target these very silos, and the hardening of the silos could not effectively protect them against the kind of accuracy which is claimed for the Soviet missile.

Different basing methods are to be studied later. But if the MX is to be a land-based missile (rather than being deployed at sea or carried in heavy aircraft), it is difficult to imagine a solution to the defence problem of vulnerability which does not involve either mobility (which would be likely to run up against the problems which scuppered the race-track plan) or some form of ballistic missile defence (BMD). We know that the Reagan Administration is work-

ing on the problem of BMD. But if it decided to go down this road, it would almost certainly have to denounce the anti-ballistic missile agreement with the USSR. That agreement limited each side to 100 ABM missiles, which would be too few to protect 100 MX silos against multi-warhead attack.

In short, President Reagan will need to explain to both sides of his domestic political audience why he has chosen a basing system which manifestly does not deal with the centre-piece of his campaign rhetoric. In the process, he will need to confront the arguments of those who believe that the so-called "window of vulnerability" is largely imaginary, on the grounds that no sane Soviet leadership would risk a first strike against the American BMD for fear of retaliation from America's nuclear-armed submarines. Finally, he will need to reconcile the conflicting claims of his Administration that this window is already open, and that it will not open for another three years.

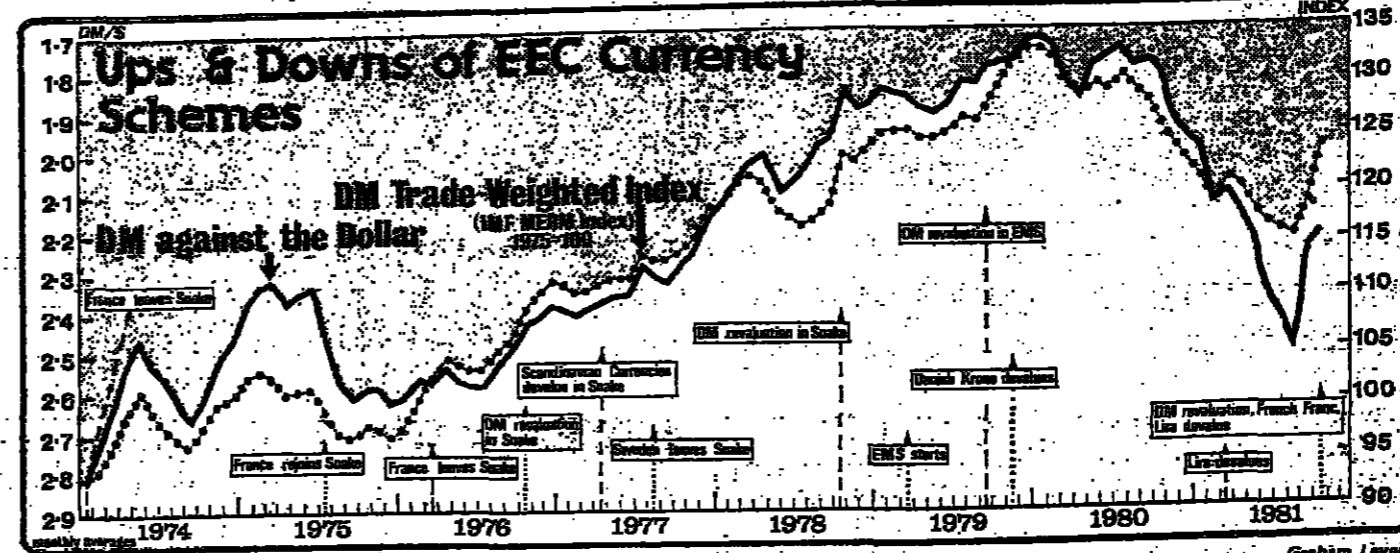
Early decision

The revival of the B1 bomber (whose development was scrapped by President Carter) should be less controversial. Earlier or later the elderly B52s will have to be retired, and while there has predictably been a vocal lobby campaigning for the advanced technology Stealth bomber, which is designed to minimise radar detection, the U.S. will probably get better value for money with something less fancy, and will certainly get it sooner.

At sea, the decision to equip the new Trident submarines with larger, longer-range and more accurate D5 missiles is no doubt, from the U.S. point of view, entirely sensible. Though it is perhaps a pity that inter-service rivalry has prevented the choice of the D5 as a common missile for land as well as sea deployment. From Britain's point of view, however, the decision, while predictable, has come embarrassingly early: the Trident with C4 was already in service, some would say far more than adequate for Britain's needs, while the D5 will involve bigger submarines and add another £1bn to the cost of the replacement of the strategic nuclear system. The American decision is thus likely to revive controversy over the British purchase of Trident.

CURRENCY RE-ALIGNMENT
EMS lives to fight another day

By David Marsh



The EMS will be needed.

For a realignment which was one of the biggest currency shake-ups since the Smithsonian agreement of December 1971, it all went fairly smoothly.

Both Herr Hans Matthöfer and M. Jacques Delors, the German and French ministers, could claim after the meeting that the operation at least showed the EMS was viable.

Emphasising the commitment to the scheme of the new Government, France did not flinch from devaluation in order to stay within the EMS. (On two previous occasions which flayed the history of the system's predecessor, the "snake", in 1974 and 1976, France left the arrangement rather than submit to a formal devaluation.)

The system, in which all Community governments except Britain and Greece are full participants, started operation in March 1979.

Since then, there has been only one major realignment (in September 1979) and two smaller ones, involving the devaluations of the Danish and Italian currencies, in November 1979 and March 1980.

This means that the bands in which the currencies are allowed to move against each other (permitting fluctuations of 2.25 per cent either side of central rates for all currencies except the lira, which is allowed 6 per cent) had become out of line with underlying price levels.

No amount of professional optimism from politicians can however obscure the problems that he faced.

The fundamental purpose behind setting up the EMS was not only to provide a framework of exchange rate stability in Europe in which trade and investment could prosper, but also to promote economic convergence among member countries, centred around a common goal of bringing down inflation to around the German level.

Progress in the first aim has been unsatisfactory, and blundered by the overriding difficulties faced by governments trying to steer their way out of recession. And in the second aim, there has been none at all.

It is true that currency rates within the EEC have, with the exception of sterling, been more stable over the last two years than during any comparable period since fixed exchange rates broke down at the start of the 1970s. But at a time of massive shifts against the upward-swinging dollar, this has been of only scant consolation for governments only too gloomily aware that their import bills for oil and many raw materials are inexorably linked to the value of the U.S. currency.

The free-market Reagan administration made clear at last week's International Monetary Fund meetings in Washington that it still rules out regular intervention to try to smooth the erratic path of its currency—even though the dollar has lately been declining fast against the revived Deutsche Mark.

So the idea of stabilising European currencies against the dollar espoused by, among others, the French, looks likely to remain a pipe dream for the foreseeable future.

Even more worrying is the prospect for stability within the system itself. Following the oil shock of 1979-80 and currency depreciation against the dollar, EEC inflation rates have, both generally and in Germany, actually become more divergent since the scheme was set up.

The gap now is between 6.6 per cent in Germany (the highest since 1974) and 13.2 per cent in Italy—against 3.3 per cent and 13.1 per cent respectively in March 1979.

The French inflation rate, now at 13.6 per cent against just over 10 per cent in March 1979, has deteriorated by a relatively small amount during the 2½ years. It is this, together with Germany's huge lurch into current account deficit over the past two years, that has accounted for the weakness of the D-mark and the relative stability of the EMS so far.

Now, however, with the two main currencies in the EEC embarked on diverging economic recovery programmes, the wind seems to be changing direction.

At the same time as newly-elected President Mitterrand was launching a major reduction programme in France, Chancellor Helmut Schmidt's Government in Bonn during the summer reaffirmed its reputation for fiscal conservatism by drastically pruning next year's budget spending.

The foreign exchange markets, always likely to vote for lower inflation, gave their verdict overwhelmingly in favour of Herr Schmidt. This sparked off the last few months of upward pressure on the D-mark against the French franc that led up to last week-end's events.

The Bundesbank, Germany's central bank, had actively canvassed for the weekend DM realignment to help the anti-inflation fight—and the impression left by the January German delegation at the IMF last week was that the Bundesbank has got some way further to run.

The Germans have been doing badly by the sharp fall of their currency during the last two years. Now that the country's current account is improving again, the Bundesbank may not be in a particularly co-operative mood to help soften the impact for other countries of any DM instability that this ahead.

Herr Matthöfer spoke of a rate against the dollar of around DM 1.95 as being about right on purchasing power grounds—against the present level of DM 2.33.

In an effort to be conciliatory, Mr. Donald Regan, the U.S. Treasury Secretary, said that his opposite members overseas could "pick up a phone and call" any time they wanted to discuss intervention to help calm the exchanges.

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Britain eyes the system with new interest

THE TANGIBLE impact on the pound sterling of yesterday's realignment of exchange rates within the EMS was slight. Still floating outside the fixed rate club, the pound did not gain or lose much ground against the system as a whole: it fell yesterday against the realigned D-mark and rose against the devalued French franc.

But in an intangible way the realignment revived the question whether sterling after its recent fall from petto-currency grace, should not become a full member of the system. Sir Geoffrey Howe, the Chancellor of the Exchequer, found himself in the odd position over the weekend of chairing a meeting of European finance ministers about a European currency system on which

Britain remains agnostic—and at a time when the high interest rate policies of the U.S. are prompting new calls for European Monetary Solidarity.

The EMS realignment did, in fact, involve the pound sterling in a token 10 per cent devaluation of its own. The pound's central rate against the European Currency Unit (the ECU), was dropped from £0.3421 to the ECU to £0.3010 to the ECU. All EMS member currencies have their central rates established against the ECU—which is itself a basket of all the European currencies—so the effect of this adjustment was to drop the central rate of the pound against the D-mark from DM 4.89 to DM 4.01.

So long as Britain remains on the side-lines of the EMS this

new central rate is only of token value—the realignment is only necessary to remove distortions from the "divergence indicator" which shows when an individual EMS exchange rate is getting out of line with the rest of the system. Were the British Government to decide to join the system, the central rate would then define sterling's place in the system.

It is one of the strongest new arguments for Britain's membership that this new token central rate is much closer to the sort of rate against the DM with which British industry feels it could live as an EMS member.

In 1980 the UK conducted 54 per cent of its foreign trade with the currency zone dominated by the D-mark, consisting of the rest of the EEC,

Scandinavia, Austria and Switzerland. This compared with 35 per cent in 1970. British industrialists questioned yesterday were unanimous that the exchange rate swings which had pushed the pound sterling up to DM 5.00 earlier this year, and now back to DM 4.12, had made business life unpredictable. They were also unanimous that an earlier fixing of the rate against the DM would have left British industry in an impossible competitive position.

Mr. Paddy Custis, the finance director of GKN, said: "from a competitive point of view an exchange rate of DM 4.00 to the pound is about right—about what it is at the moment." Mr. Tom Neville, the Finance director of Vickers agreed. "After the excessive swings to

excessive levels earlier this year, we are not unhappy with the current rate."

In the British chemical industry, however, the preference is for a still lower rate. "The right range goes from DM 3.50 to DM 4.00," said one major company. "Anything above that is impossible." Mr. Richard Heseltine, director for Corporate Development at Croda International, said "the right rate seen from the M2 is DM 3.60. We would go along with EMS membership so long as the pound was plugged in at a low rate. If we became a member at a high rate it would cause us to lose hope."

Mr. Custis is sceptical about the EMS. "I would prefer a free market rate provided there was some stability—a free rate

fluctuating within reason. The trouble with fixing the rate within the EEC is that it tends to lead to problems in trade with currencies outside the system."

For the moment the Treasury shares Mr. Custis's scepticism, in the face of greater enthusiasm for EMS at the Foreign Office and the Bank of England. The Treasury still feels that Britain's oil subjects sterling to a special exchange rate volatility, which is fundamentally at odds with the movements of the D-mark, the currency of a country which conspicuously lacks oil. It does not want its monetary control to be influenced by the resulting exchange rate swings.

Nicholas Colchester

Men & Matters

Service with a smile

"Everybody said it could not be done. Throughout the length and breadth of Staffordshire and even in some parts of the City, they said it was impossible."

Michael Rosehead, who has been a chef for more than 20 years, is now taking on a new challenge as managing director, plans four or five new designs next Spring. "We've been busy doing out what the customers want," says Rosehead.

The two 18-year-old companies were losing more than £50,000 a year when Rosehead and his partners—don't-youself millionaire David Quigley and accountant Peter Coventry—bought £250,000 for the assets in January.

None of them knew anything about making pottery. But now the merged and streamlined operation is employing 115 people at Burslem and reports a half-year turnover of £321,000, trading profits of £146,000 and new orders of £1m.

"I get a little tired," says chairman Rosehead, "of the public impression that no manager can manage that trade unions are always obstructive, that business skills went out with our grandfathers."

A former Royal Warrant holder and former director, he says that the turn-around has been achieved with "a bit of business common sense" and a co-operative workforce. Product lines have been rationalised, quality control improved, delivery systems reorganised and marketing infused with more aggression. One of the first new orders captured was for 120,000 cups and saucers for the Royal Navy.

Rosehead. "They like it thicker and stronger than anyone else." But this sound of their breakages is still music to his ears.

None china is essentially a fashion business, he says. But the Royal Stafford name, and deliveries on time, are fast reviving trade.

The consortium, which has now taken on Michael Southall with more than 20 years in the pottery industry as managing director, plans four or five new designs next Spring. "We've been busy doing out what the customers want," says Rosehead.

Not that his own eye for a best-seller is bad for a novice at the potter's wheel. He produced 6,000 traditional china loving cups for the Royal Wedding and sold them all direct through TV Times while his experienced competitors were left with shelves full of souvenirs.

Standing orders

Not to be outdone by the populist touches of Tony Benn, the Social Democrats' first-class pilgrimage from Perth to London stops off in Bradford today for its second-stage conference—and supper at Harry Ramsden's, the biggest fish and chip shop in the world.

With shining new convert from Labour's MPs to show for each day's progress so far, the travelling band has been life with rumours about who will follow. Dickson Mahon, and Richard Mitchell and join in today.

Expect Reg Ffrench was the whisper. The MP for Brent East may be a long-time anti-market, but he is under pressure from the parliamentarianism of G.L.C. leader Ken Livingstone and his far-left militants. And what's more, Ffrench has already applied for a copy of the SDP's constitution.

Former housing minister Ffrench tells me, however, that

he has no intention of joining the SDP. Yes, he admitted, he had asked for a copy of the party's constitution; and the Ecology Party's as well.

"I just happen to be interested in party constitutions," Ffrench explains. It seems that he even wrote a new one for the Labour Party some years ago, which was much noticed. "But I still keep an eye on possible alternatives," he says.

Just shows you how rash a Labour MP would be these days even to have a cup of tea with the SDP, let alone a fish and chip supper.

Sounding brass

One thing we do seem to be exporting successfully to Japan is the sound of British brass bands. During the past three years more than 100 bands, modelled in the tradition of Black Dyke Mills and Grimsthorpe Colliery, have begun blowing their way into the Japanese musical scene.

Take Yamamoto, musical director of the Tokyo Brass Band Society and the man who has been instrumental in popularising the sound of brass in the tinkling tea-houses, came to London at the weekend to listen to the competitors in our national championships and to discover any new musical trends.

What is so appealing to a Japanese ear about the trombones and tubas? "The sound comes from the heart," he says. "You understand?"

Well, not exactly. But I cannot help thinking that it is a fair exchange for all those electronic organs. So too, I might add, does Boosey and Hawkes, the musical instrument makers. "We are delighted," says managing director Peter Ashcroft. "Since the Japanese have had some success in the UK market, it is more than fitting that we should develop what might become a major musical



"A form of Myxomatosis I believe"

Once Britain

Best-selling authors and showbiz stars who emigrate to escape the clutches of the Inland Revenue are always telling us that they leave their hearts in Britain. But the organisers of a conference in Douglas next month on the Isle of Man's attractions as an offshore financial centre clearly know better.

The subject of one of the sessions is described in the advance leaflet as: "Other facilities for non-resident companies and individuals, particularly UK expatriates."

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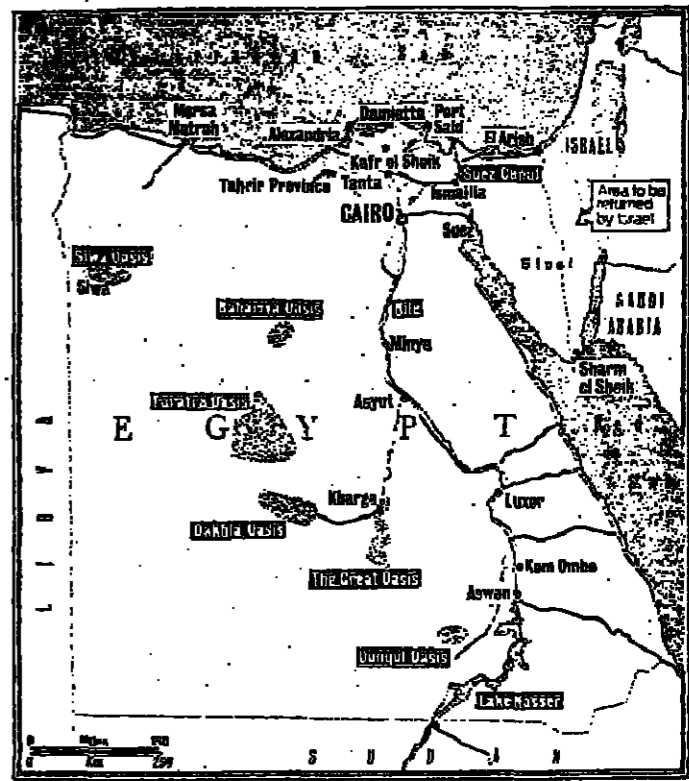
FINANCIAL TIMES SURVEY

Tuesday October 6, 1981

EGYPT

هكذا من الأهل

President Sadat appears to have ridden out the crisis at home. His September purge was backed by the electorate, but it caused people abroad to question the country's stability. His major hazard is the economy. There are sufficient funds for present needs but steeply rising prices and failing food supplies are dangers he must avoid.



Electric shock to end strife

by Anthony McDermott
Cairo Correspondent

IT IS only just over a month since President Anwar Sadat carried out, in his own words, a "purge" and delivered an "electric shock" aimed primarily at ending sectarian strife in Egypt between Moslems and Christians. The actions which followed pushed the country for a time into a domestic political crisis on a scale to equal both the challenge from the left to Mr. Sadat in May 1971, and the bread riots of January 1977.

The crucial difference this time is that, to a large extent, the crisis was of Mr. Sadat's making. Again in his own striking words: "Sometimes one has to perform surgery, sometimes one has to swallow bitter pills." Thanks to the continuing support of the army, the pervasive efficiency of his security forces, and the broad approval of the average Egyptian, who has generally been in favour of the clampdown on Moslem extremists and who traditionally goes along with major decisions

taken by al-Ba'is (the leader) as long as they do not affect his standard of living, Mr. Sadat appears so far to have ridden out the crisis at home.

Indeed, he has now moved beyond into consolidation by having his cabinet announce measures against the new slogan—al-Tasayyub (back sliding or indiscipline) "in the streets, in the office, in the university, in the school, in the public sector, and in the private sector."

But the September purge was something more than a drive to clamp down on stresses between Moslem extremists and Copts who make up about one tenth of Egypt's people and who gave Egypt its name. There had been growing tensions between the communities, particularly as the Moslem brothers and other extreme Islamic societies had been exerting their strength increasingly.

Indeed, in the early 1970s they had been given tacit encouragement by Mr. Sadat as a force against the Communists.

In June and July this year there were two unpleasant incidents in some of the more drastically poor areas of Cairo; in al-Zawiya al-Hanra, where several days of street fighting left more than 30 dead, and in Shoubra, where a bomb at a Coptic wedding killed three people. At the time these incidents seemed both localised and not symptomatic of a country-wide trend of tension.

Then came the September purge. It became clear on reading the content of the 1,536 people listed in the Official Gazette, that it was not just aimed at religious extremists and straightforward criminals, who together made up the bulk, but also at academics, lawyers, politicians and journalists. Yet

it was also a clear out of political opponents.

It was done, too, on a scale which provoked people abroad to question whether Egypt was stable, whether Mr. Sadat was quite the democratic figure with a multi-party system that he claimed, and indeed whether Mr. Sadat was not trying to head off, perhaps too late, an Egyptian religious revolt with echoes of Khomeini of Iran.

For a fortnight or so last month, each day brought a new development. Besides the arrests, 10 extreme Moslem societies and four Coptic associations were closed and six Moslem and Coptic religious newspapers shut, along with al-Sha'ab the weekly newspaper of the official opposition Socialist Labour Party (SLP). Forty thousand privately-owned mosques were taken over by the State and preachers on Fridays, whose sermons were a regular source of criticism, had now to be licensed by the Ministry of Waqfs (religious endowments).

Pope Shenouda, the spiritual head of the Coptic church, was banished to his monastery in the western desert and replaced by a five-man commission of bishops. A select list of 65 journalists was transferred to the State Information Service and six academics to "other jobs," usually in local government. These measures were then approved by an unsurprising 98.45 per cent in a national referendum. Lastly, Mr. Mansour Hassan, the minister of state for presidential affairs, was removed from the cabinet. It is believed, for lack of full commitment to Mr. Sadat's measures.

There were international ramifications: notably the arrest of Mohammed Hassanin Heykal, perhaps the Arab world's

BASIC STATISTICS	
Area	1,000,528 sq km
Population (1980)	41.39m
GNP (1979)	E£13,266m
Per capita	E£324
Trade (1980)	
Exports	\$3,853bn
Imports	\$6,827bn
Trade with UK (1980)	
Exports to UK	E£336.6m
Imports from UK	E£416.7m
Inflation (1980)	20.6 pc
EI = E£1.51	

most distinguished journalist, as well as a confidant of the late President Nasser. Mr. Sadat summoned foreign newspapermen to his home village in the Delta of Mit Abu'l-Kom to deliver a plangent and angry attack accusing them of distorting and misrepresenting what had happened in Egypt. Two journalists, one French and one American, were expelled.

Finally a couple of alleged Soviet spy plots code-named "Bog" and "Sea" led to the Soviet ambassador and six other diplomats being expelled.

Another vital element in this series of events is that it has been a highly personalised crisis. The strain has shown in Mr. Sadat's uncommonly frequent television appearances. Dressed in his safari suit, sweating profusely, waving papers of evidence and cuttings from newspapers, he has been on some occasions humbly grateful to the people for the referendum result, and on others reminding about his political awareness from the age of 10, or snarlingly defending his people from foreign criticism.

He has been visibly angry against two of his key oppo-

nents — Mr. Heykal, whom he accused of slandering Egypt abroad and of making a mint in the process, and Mr. Fuad Seragaddin, now aged 76 and a former head of the Wafd and the now dissolved non-Wafd party, whom he accused of plotting with Moslem brothers and others against the State, scorning him repeatedly as "a Louis XVI figure."

It must be said at the same time that he has been adamant about controlling Moslem extremism. In the universities, he has forbidden the wearing of the galabiyah, the man's long robe, and the niqab, the total enshrouding garment worn by women — both symbols of fundamentalist Islam — and has warned the Moslems that he has so far only arrested their leaders. He has another 7,000 names on his list.

At the same time, Copts have generally been pleased with the measures and accepted Pope Shenouda's banishment as a quid pro quo.

The whole extraordinary month has demonstrated the extent to which Mr. Sadat sees himself not just as a father of the nation but as its physical embodiment — a factor which makes political dialogue or criticism inside or outside the country difficult if not dangerous.

Who and what have been the casualties? Undoubtedly the multi-party system, because the SLP, whose deputy head has been arrested, and other parties do not know and have not been given clear guidance as to what an opposition should do beyond being constructive and on some issues, such as the peace treaty with Israel, outright supportive.

Furthermore, as President,

Mr. Sadat has authority and power levers which are hard for others in politics to counter. There is a risk too that by attacking the religious groups so strongly he might have driven them underground and to violence in the future.

The reasons for the timing of the clampdowns remain still broadly unclear. But one element must have been, beyond concern about the Moslem factions, the need for calm at home until the first part of the peace treaty had been completed next April with the final withdrawal of Israeli troops from Sinai. Thereafter, the Middle East scene in terms of the Camp David accords could become a different situation.

On September 26, in a speech at Mansoura, Mr. Sadat was pushing that the Israelis should honour that part of the agreement which deals with Palestinian autonomy on the West Bank and Gaza. Strip as honourably as they were carrying out the withdrawal from Sinai and normalisation of relations.

But if Egypt is to make a re-entry into the Arab world, which remains scornful of his claims to be helping the Palestinians, he will need to display something tangible.

It is here that Egypt feels some frustration at the U.S., which is otherwise a close ally in political, military and economic terms.

Egypt has allowed the new U.S. administration to have a period during which it could become acquainted with the complexities of the Middle East, not just as part of its global relationship with the Soviet Union, but also as an end in itself. There are the indications of clear Egyptian disappoint-

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ment that after nearly a year in office hardly a glimmer of an American Middle East policy is visible and certainly not one which might help Egypt in future through bringing pressure on the government of Mr. Begin in Israel to make concessions.

If there were to be a threat it is still far more likely to be linked to the economy through prices rising or food supplies falling. But at present there is sufficient money coming in from oil, workers' remittances, the Suez Canal and tourism, to ensure a comfortable political cushion for at least a year. But this still remains the most potentially explosive problem.

And the succession? Constitutionally it lies with vice president Hosni Mubarak aged 54. But the constitution has already been changed to enable a president to stand for more than two six-year terms. Would Mr. Sadat resign? If the run-up to the last re-election in 1976 was any guide, he likes a little persuasion by hinting in advance that he might think of stepping down. He has already wistfully given that hint.

The suspicion must be that he would not step down before the presidential elections due in October 1982 unless he felt his vice-president was up to succeeding. But then again, Mr. Sadat's career has been unfailingly full of unpredictable gambles.

National Bank of Egypt

The N.B.E. is the oldest (founded in 1898) and largest bank in Egypt, with total assets of more than L.E.3 billion. According to the Banker Magazine, the N.B.E.'s world ranking was 277 among the 500 largest banks.

The N.B.E. plays a leading role in financing domestic and foreign trade transactions through its large branch network and its correspondents throughout the world.

The N.B.E. was the first bank to promote the new economic open-door policy of Egypt through its participation (to the extent of L.E.55 million) in the establishment of 26 vital projects capitalised at L.E.543.6 million. The following are its joint-banking ventures:

Name	% share	Name	% share
Chase National Bank (Egypt)	51	European Arab Bank—Brussels	0.013
Crédit International d'Egypte	50	Société Arab Internationale de Banque (SAIB)	8.3
National Société Générale Bank	51	Housing and Development Bank	6.9
Suez Canal Bank	11	Bank of Commerce and Development (Al Tegarayoon)	11
Alexandria Commercial and Maritime Bank (A.C.M.B.)	5	Al Watany Bank for Development	3
European Arab Holding Luxembourg	4.4	Egyptian International Bank	10

The following are the financial highlights of the N.B.E.:

	30th June 1980
	L.E.mns.
Total Assets/Liabilities	3,048
Capital + Reserves	69
Net Profit*	29
Deposits	1,796
Loans, Sundry Debit Balances and Fixed Assets	1,734

* For the six months ending June 30, 1980

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EGYPT II

SUMMARY BALANCE OF PAYMENTS
(\$m)

	1977	1978	1979	Estimated 1980
Exports of goods and mfrs of which:	3,886	4,039	5,555	7,150
Total petroleum exports	1,012	1,262	2,860	3,350
Egypt's share of petroleum exports	720	892	1,530	2,650
Tourism	728	702	601	680
Suez Canal	428	514	559	710
Imports of goods and mfrs of which:	5,579	6,612	8,300	9,670
Foreign oil companies	394	322	531	640
Net factor income	472	1,098	1,143	1,333
Remittances	897	1,761	2,214	2,750
Transfers of foreign oil companies	319	415	428	550
Autonomous non-monetary transactions	1,270	1,582	2,259	2,450
a. Transfers	63	54	35	250
b. Official loans	583	1,028	1,024	1,030
c. Private loans	73	113	437	310
d. Direct investment	477	387	710	850
Overall balance (4+5)	-251	1,675	697	1,095
Unallocated	-435	-604	-462	-415
Special Financing	1,601	899	72	—
Monetary operations	-915	-472	-307	-630
a. Commercial banks	-1,005	-494	-101	230
b. Central bank	90	22	-206	-910

Source: Central Bank of Egypt.

Drastic action needed to keep on an even keel

"IN SEVERAL respects Egypt's economy in 1980 has continued to maintain the encouraging progress that has characterised performance since the mid-1970s. This was the burden of the opening remarks by the representative of the IMF at the aid donors' meeting at Aswan in January this year. As illustrations of "the encouraging progress," he listed "a sizeable surplus" in the balance of payments, the fact that investments were absorbing a substantial share of total resources, and the maintenance of a real growth rate of 8 per cent a year since 1975.

He went on. "These developments are, of course, a cause for satisfaction," but warned,

"they should not be allowed to obscure the fact that there remain serious structural maladjustments in the Egyptian economy that require bold and imaginative action on the part of the authorities. The present buoyancy of the economy and the balance of payments provide a conducive environment for such reform measures. If they are not taken now, circumstances for their adoption may well be less favourable later."

These views, which were pressed on the Egyptian Government at the time by more than one donor government and international organisation, have turned out already to be timely. It might seem uncharitable to be critical of Egyptian economic performance at a time when, in terms of figures, in terms of food security and in terms of some, admittedly conspicuous, consumer spending, things seem to be getting better.

Certainly, in Dr Abdel-Razek Abdel-Meguid, the deputy Prime Minister in charge of the economy, whose record is analysed in an accompanying article, Egypt has a most persuasive and irrepressibly optimistic presenter of its case. There are, however, the beginnings of signs that from the main earners—oil, workers' remittances, and the dues from the Suez Canal—is rising at a slower pace than in recent years, and that this trend may continue if oil prices fall to recover and if the massive increase in food imports continues. This in itself is no catastrophe. But the factor which causes concern is the point which the IMF representative made at Aswan.

For the surplus which has been accumulated has largely been swallowed up either directly as food or indirectly as large subsidies to keep prices down. The Government's dilemma is obvious: it is politically and socially desirable that the money should be used that way, but it has left little over to be invested.

The wasteful and large public sector remains a large drain. Unless some drastic decisions are taken, perhaps no later than in the 1982-83 economic package when the plateau of earnings is reached after the rapid increases of recent years, there is the risk that the fundamentals of Egypt's economy will have stayed broadly untouched,

but with the politically dangerous additive that in the meanwhile people's appetites for a sustained rise in their standards of living will have been sharply whetted.

Comparisons between the balance of payments of different years have been complicated by the fact that one of the initial decisions taken by Dr Abdel-Meguid on being appointed in May 1980 was to shift the financial year. Previously, it coincided with the calendar year, now it starts on July 1. Nevertheless, it is worth taking the main items for the years 1980, 1980-81 and 1981-82, and thereby estimate what resources could be available:—

● Oil: earnings in 1980 were US\$2.5bn. In 1980-81, according to Dr Ahmed Izzeddin Hilal,

ECONOMY

ANTHONY McDERMOTT

the deputy premier in charge of energy, they amounted to US\$2.15bn (net). This year, according to Dr Abdel-Meguid, Dr Hilal has pledged to provide US\$2.4bn in earnings (plus US\$833m to be paid into a special long-term energy account).

● Workers' remittances: reached US\$2.5bn in 1980, and are expected to have maintained this level or risen slightly (they are extensively understated).

● Suez Canal: earnings were U.S.\$700m in 1980, rose to U.S.\$800m in 1980-81, and will not exceed U.S.\$1bn this year because, although dues have risen, the value of dollars in which they are accounted has fallen by about 15 per cent.

● Tourism: earnings reached U.S.\$780m in 1980 and its contribution to the balance of payments has stayed, and will probably remain at about the same level until the measures to eliminate the black market take real effect.

The current account balance, which is usually in deficit, was U.S.\$500m in 1980, and this deficit in 1980-81 had tripled and could be as high again for 1981-82. As for the overall balance of payments, having reached a surplus of U.S.\$1.5bn in 1980, there was probably a balance in 1980-81 and a decline since then.

The deterioration in the balance of payments came most noticeably during the first six months of this year. The first reason was the fall in the price of oil.

At the same time food imports have been rising, to judge by the Ministry of Supply import bill (about one-quarter of all imports) by as much as 50 per cent in 1980 over 1979.

To sum up, it is clear that Egypt has increasingly less to spare from money generated domestically, but bilateral aid continues to flow in strongly with some U.S.\$2.5bn expected during 1981, of which the U.S. is providing just under half.

Ironically the decline in the balance of payments has meant that Egypt is now qualified, or soon will be, for drawing from the IMF. (It has already offered, according to Dr Abdel-Meguid, a standby credit to support the Egyptian pound if necessary.)

In June a team came over from Washington for the early stage of discussions, and no figures have been named, but it is believed that Egypt would favour a drawing in the region of between US\$600m and US\$700m.

The IMF, along with many others, will be interested to see what the Egyptian Government intends to do about some of its familiar problems.

A prime issue is the public sector, which not only continues to be a dominant factor but is also a considerable drain on the economy.

A key item is the politically explosive area of subsidies. One striking example of the extent to which the state underpins commodities is LPG (liquid petroleum gas), of which Egypt imports 70 per cent of domestic needs. A 12.5 kg cylinder costs E£4.5 in produce, but it is sold on the streets at E£0.55. In broad terms, Egypt's domestic oil energy prices are 20 per cent of the average of world prices.

The IMF will be also looking carefully at the bank-financed government deficit in the budget. Here Dr Abdel-Meguid is characteristically nimble with figures. His claim that the 1980-81 budget was the first in surplus for years depends to a large extent on how the various chapters are composed and relate to each other. The IMF at Aswan, for example, projected the overall government deficit for 1980-81 at E£2.7bn. Although this represented only

17 per cent of the GDP compared with 21 per cent in 1979, the representative remarked that the decline did "not reflect any significant reduction in the public sector's claims on domestic resources."

The well-informed U.S. embassy bi-annual economic trend report, while acknowledging that the Egyptian Government has changed its budget format, firmly comes out with a budget deficit of E£703m in 1980-81, falling to a proposed E£350m in 1981-82.

For Dr Abdel-Meguid and the budgetary accounting methods which have been adopted the 1980-81 exercise has been a triumph. A deficit of E£805m had been anticipated but a surplus of E£142m was recorded which was returned to the banking system.

Two key factors accounted for this. First, expenditure on investment totalled only E£2.7bn against E£3.5bn budgeted. More important, and symptomatic of a genuine attempt to make Egypt's financial system more socially fair, tax revenues reached E£3.91bn against E£3.63bn originally budgeted. For 1981-82, the forecast budget surplus is put at E£2.61m.

The indications are unfortunately below the surface but just beginning to become perceptible that, in spite of some good fortune and good management of the main income-generating sectors, attempts to tighten up at home and reform some of the basic weaknesses of the economy, a political decision which within its own context has some justification has been taken by President Sadat. The President, whose political acuteness outruns his economic acumen, appears to have decided that prices must not be allowed to rise and that the growing demands of a consuming public must be met.

This decision must probably be at the expense of extensive internal reform and investment to make the economy more self-sustaining.

Strategy too huge to go smoothly

Dr. Abdel-Razek Abdel-Meguid's 15 month reign as Egypt's economic minister has not been without its ups and downs. His claim to a job, which he by and large created for himself, related to his ability to persuade President Sadat that Egypt should be moving on from a period of laissez-faire that necessitated the process of opening the door into a phase of strategically planned development.

This would require one man to draw the strands of economic policy making together with the authority to see the policies implemented. With his experience as Minister of Planning, he was the natural man for the job.

In the past year he has laboured mightily to formulate and present a range of economic and fiscal legislation which will change the economic landscape. Principal among these are the Companies Law, the Public Sector Law and the Taxation Law.

The problem is that he has set himself such an enormous task that the day to day implementation of his measures has suffered and this has caused resentment among those that have to live with them.

The modification to Decree 15 regarding the cash margins to be paid on letters of credit was a classic case. In point, Dr Abdel-Meguid was abroad when the measures were introduced and came back to find total confusion with officials not knowing what was going on and contradicting each other.

It is widely believed that what swung President Sadat behind his thinking in the spring of 1980 was his passionate advocacy of a free public sector prices. While he saw then as a tactical grouping has, because of the political requirement to keep prices down at all costs, become a major plank of government policy. Attempts to reform the subsidy and pricing systems.

An offshoot of this policy not to offend special groups is that the Ministries of Supply and Defence have been allowed to ride roughshod over spending limits—often without the Central Bank knowing about it.

Because of higher than expected oil and tax revenues last year this did not matter too much. But the lack of control now does not inspire confidence that when the going gets rougher, spending limits will be rigorously enforced.

Alan Mackie

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STATEMENT OF ASSETS & LIABILITIES AS AT
30th June 1980 (Half Year)
In Egyptian £'000

Liabilities	Assets
Capital 11,000	Cash & Banks 452,838
Res. & Prov. 114,014	Investments 106,689
Deposits 1,050,552	Loans & Discounts 678,628
Other Liabilities 100,469	Other Assets 35,880
Total 1,276,035	Total 1,276,035

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Growing interest in industry

FEW COULD have foreseen back in 1974 when Egypt's "open-door" policy was launched that local capital would so soon be the main source of private investment.

Then it was assumed that the Arab oil states would be underwriting the massive investment needed, with the West providing the skills and Egypt the labour and the market base to expand sales later into the neighbouring Middle East.

The peace treaty with Israel and the ensuing boycott of Egypt by the rest of the Arab world put paid to that plan, although Arab funds are still finding their way into hotel and real estate development.

More significant is the fact that fortunes generated in Egypt from the import boom money held by Egyptians abroad or locked up in assets during the Nasser era, coupled with a steady inflow of migrant workers' remittances, have all created a pool of capital which is far from negligible.

Of the E£8bn of investments approved by the Investment Authority on June 30, 1981, for inland and free-zone projects,

63 per cent is Egyptian. The figure is higher for new investment approvals.

Egyptian capital accounts for around 80 per cent of housing, industrial and agro-industrial projects approved but yet to be started.

So the grandiose schemes envisaged when the open-door policy was begun have given way to a much more basic and vital investment pattern, where the Egyptian entrepreneurial touch in smallish light industrial projects and service industries is much in evidence.

Western interest in joint ventures has remained remarkably high, given the trials and tribulations that most foreign companies seeking to do business in Egypt experience.

However, Egyptian officials are aware of the fact that Western interest has tended to focus on high-return "frothy" consumer products—like soft drinks which, after banking, has been the sector attracting most foreign investment. This has to change, they say.

One sign of change is the growing interest, especially among European investors, in light industrial projects such as ready-made clothes and leatherware.

Interest in joint ventures with the public sector, never very keen because of difficulties in negotiating acceptable management levels and selling prices, has been all but killed by two recent rulings.

The first is that a public-sector company may not take plant or land into a joint venture and the second is that the public-sector company must have a controlling interest. The field has therefore been left even more open to private enterprise.

For all the foreign interest and the local business activity, the level of investment is still small given the kind of private-sector commitment needed to make the open-door policy work politically—in terms of creating productive jobs. Of the E£6.6m of inland investment projects approved, only about E£1.4bn have gone into production.

The main inhibition to serious foreign investment is the absence of a "blue chip" company established in Egypt and prospering. Union Carbide—one of the few joint ventures to have set up its plant on time—is now facing major problems marketing its dry-cell batteries against the pegged prices of its public sector competitors.

Wilkinson Match, the first joint venture with a public sector company, is withdrawing from Egypt after two years of heavy losses caused by whole-

sale razor-blade smuggling.

Even so, a number of private sector vehicle-manufacturing joint ventures are being lined up. Volkswagen (which intends to take its familiar "Beetle" cars) and General Motors (medium and light lorries) are poised to enter. Either of them could be the catalyst the market has been waiting for.

But the reason why these companies are hesitating is the same reason why others are

The main reason was that the authorities did not make sufficient foreign exchange available to back a parallel move to widen the convertibility of the E£ by requiring cash margins on certain letters of credit to be paid in Egyptian currency rather than dollars.

Consequently, imports of basic foodstuffs, raw materials and spares were affected by the new ruling, dried up because no letters of credit were being opened. The situation is still not back to normal despite official attempts to rectify it.

To bolster reserves to make the new system work the Central Bank has called on banks to deposit 15 per cent of their foreign currency with it at Libor and has extended the time that letter of credit cash margins have to be deposited interest-free with it from one month to three months. In addition, the Government is talking with the IMF about a stand-by facility.

FOREIGN INVESTMENT

ALAN MACKIE

hesitating—those that feel that despite the Cairo bureaucracy they have a future in Egypt. Leaving aside the day-to-day volatility of the region, which can have undue weight when a finely-balanced investment decision which has to be made is delayed, what of the Government's ability to come to grips with the underlying problems of population control, housing and job creation?

This problem is at the heart of the authorities' quarrel with the foreign banks. They feel that these banks, having made huge profits out of financing trade, should be doing more to help the industrial development effort. In fact the more responsible banks already have 20 to 30 per cent of their portfolios in medium-term lending.

But it is one thing to lend medium-term for light industrial schemes, where management, market and product can be clearly defined, and quite another to lend for more than five years, where the payback period is longer, the operation more complex and, usually, as with land reclamation, sensitive to Government controls.

The Egyptian authorities are therefore moving to regulate the banking system more closely.

However, the manner in which the authorities have sought to regulate the market has not helped to increase business confidence.

In order to channel more funds through the banking system the Government on August 1 devalued the parallel market rate of the E£ by 20 per cent to 84 piastres to the U.S. dollar. But the open market rate responded by rising from E£.69 piastres when the devaluation was announced to over parity with the dollar.

PUBLIC FINANCES
(\$m)

Current Budget	60/81	81/82
Revenue	5,824	7,187
Current Expenditure	5,707	7,125
Current Surplus/Deficit	218	62
Capital Liabilities Budget	1,095	1,46
Capital Liabilities	295	24
Foreign Financing	94	23
Capital Resources	-703	-53
Surplus/Deficit	3,200	3,70
Investment Budget	2,983	2,42
Investments	-218	-27
Overall Surplus/Deficit	-703	-53

Source: U.S. Embassy
* Note that the GOE changes its budget presentation format for 1981/82. Figures shown are based on budget proposal. GOE states that budget is balanced, thus obviating deficit financing in 1981/82.
(Source: Central Bank of Egypt, IMF, IBRD)

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Multi-party system sick, but still alive

IN JUNE last year, shortly after introducing a new cabinet of which he is still Prime Minister, President Sadat said he would be devoting 95 per cent of his time to domestic affairs. On the political front he did little except express increasing dissatisfaction with those, such as members of the Bar Association, who expressed opposition to his policies. That was until the beginning of last month when, besides Muslim Brothers, and Copts, political opponents were major targets of his purge.

Mr Sadat's four-year-old experiment with political parties has survived the purge, and publicly he has pledged to carry on with it, but it remains in a very complicated condition. What happens next will depend on the contents of the National Charter, which was due to be announced at the beginning of this month. It was likely to contain moral and political guidelines for work and public behaviour but also instructions for political parties. In particular those considered part of the legal opposition.

Among the many items published in the foreign Press about events last month, one which irked Mr Sadat most was the suggestion that his rule was dictatorship—pure and simple. Egypt is, he would protest, "an island of democracy," and utter an especially weighted tone: "In Egypt we have a multi-party system." It should be recorded that after the 1973

war Mr Sadat worked to have the single party, Arab Socialist Union, dissolved, and gradually replaced towards the end of 1975 by the emergence of a multi-party system. The People's Assembly passed a Bill permitting the formation of political parties.

In the process deliberate winnowing took place to exclude the extremes of Left and Right and to hamper the re-emergence of traditional parties such as the Wafd, which commanded a wide following in pre-revolutionary days. It did reappear for a while as the Neo-Wafd, under its old leader Mr Fuad Serageldin, but dissolved itself in 1978. Mr Serageldin is one of the targets of the purge and the target of a protracted and highly personalised attack by Mr Sadat.

What emerged in June 1979 from general elections was a People's Assembly dominated by Mr Sadat's National Democratic Party (NDP) with over 300 seats out of 382, and with about 30 seats for the Socialist Labour Party (SLP) and three for the Egyptian Socialist Liberal Party. The rest were either independents or appointees.

Another opposition party, the National Progressive Unionists (NPU), headed by Mr Khaled Mohieddin, a former free officer, failed to win a seat. Accusations abounded—and were generally reckoned to be well-established

—that ballots were rigged. The result is that in trying to construct a political framework in which he chooses essentially the make-up of the opposition Mr Sadat has built a system which is both artificial and not broadly representative of the real trends in the country. Indeed of the official permitted

POLITICS

ANTHONY McDERMOTT

opposition party leaders. Mr Mohieddin has a point when he says that the NPU, with a mixture of Nassefites, Communists and the Left as a whole, is the most natural party. (Twenty-nine of its members were under arrest last month.) But even outside the NDP and largely unrepresented are the Muslim Brothers, Warlists, other Nassefites and Communists and members of the Al-Fitrat Al-Watani (the national coalition). The latter is a loose grouping of ex-ministers, lawyers, academics, businessmen and journalists who from time to time sign statements generally critical of aspects of government policy.

Indeed it is suggested that one reason for Mr Sadat's political crack-down was the fear that these groups were gearing together to form an active

national front. Mr Mohieddin denies this but concedes that loose co-ordination (from the point of the NPU, he emphasises not with the Muslim extremists) has been increasing. September's purge, which also included the deputy leader of the opposition SLP, has left some genuine bitterness and despair that the system ever can or will be expanded to absorb the hitherto unrepresented. The weakening of the opposition has emphasised the point that the political rules are not only made by Mr Sadat but changed when he wishes.

The SLP in particular feels that Mr Sadat's involvement in the NDP not only weights the process against it through the President's authority but also means that attacks on Government policy are taken personally. Mr Shukri was asked whether it might not be better to dissolve the SLP. He made the point that the party was still legally an element in the system and that its continuing existence might be of help to those arrested. He added: "Many people really want to put their ideas against what is happening and haven't any other way" than the SLP.

At the heart of the problem is an issue which has been much on Mr Sadat's mind—the role of the opposition. Time and again this year he has railed against the opposition for being irresponsible and calling for debate but which in the end

vaguely about issues, mainly domestic, on which Egypt's multi-party system could afford differences of opinion and others, chiefly foreign policy, in which all parties would be expected to show a united front. As a result neither Government nor opposition understand fully what their roles should be.

Indeed Mr Shukri complains that since the 1978 election he has never had a chance to discuss the party system with Mr Sadat. He claims too that the SLP has not been unconstructive, having made useful contributions to Government policy on housing and education and above all in getting it to drop after an abhorrent by Mr Sadat, a suggestion that Nile water could be made available to Israel.

Mr Sadat on the other hand is known to have been deeply impressed by the visit last April of Mr James Callaghan, the former British Prime Minister, and how he acted in his view as an ambassador for his country abroad (rather than criticising it) which he feels too many Egyptians do, and by the smooth transition from the Labour to the Conservative Government after the last elections.

Three factors, however, made Mr Sadat's position special and particularly powerful. The first is the People's Assembly, which is capable of lively debate but which in the end

rarely steps out of line. Above that is the Naglis Al-Shoura (consultative assembly) which has no legislative powers but through debate and its right to endorse Bills reinforces the work of the Assembly. Second, Mr Sadat has as a dragnet weapon, the "Law of Shame" which gives the Socialist Prosecutor a wide range of issues on which people can be brought in for questioning and ultimately penalised.

Finally, Mr Sadat has the national referendum, of which there has been an average of one a year since he became President in 1970 and none of which has registered below 98 per cent approval. This provides the President with a short cut to constitutional support which he can then invoke as law.

Where Mr Sadat falls down in Western interpretation, which he woos assiduously, is his failure to understand the contradiction between asserting the existence of a multi-party system and the abrupt arrest of 1,536 people (official figures), among them politicians. His arguments linking the latter with sectarian strife have not been convincing. He would probably have gained more sympathy among his Western allies if he had not attempted to oversell his political experiment. Sadly, if the first indications of the next stage are any guide, they seem to point towards tighter rather than looser political controls.



President Sadat: "Egypt an island of democracy"

Isolation brings change in defence strategy

THE OCTOBER 6 military parade, commemorating the Egyptian crossing of the Suez Canal eight years ago and the genesis of the Peace Treaty with Israel, has become a well-established jamboree.

Out in Medinet Nasr in northern Cairo, before a modelised version of the Pyramids and the assembled Government, with President Sadat in the front line in uniform of Supreme Commander in Chief, green sash, across his chest, the Star of Sinai at his throat and thigh-length boots, a two-hour parade will roll by.

It will celebrate Egypt's finest hour of military glory for decades.

This year the fruits of the peace and the close alignment with the U.S. will be more apparent than before. Previously, Soviet-supplied weapons dominated the parade. But on show this year will be newly acquired M-113 tanks and M-113 troop carriers. Overhead F-4 Phantom fighters will be making their second appearance.

Emphasising the point that Egypt's foreign and defence policy has had to leap over the wall of the Arab world because of the Peace Treaty and became more diversified, there will be British, French and Italian weapons on display for the rows of keen-eyed military attachés in full fig and armed with binoculars.

Alignment with U.S. and the treaty with Israel has not been without its foreign policy costs. In the Arab world, only Sudan, Somalia and Oman still have full diplomatic relations. There may be unofficial sympathy from Morocco and elsewhere in the Arab world (where there are about 2m Egyptian workers).

But in general, and officially, Egypt is isolated in the Arab world, although Mr Sadat likes to regard it as the Arab world's isolation from Egypt. Even the sale of Soviet surplus arms to Iraq in its war with Iran, has done nothing to breach the gap.

For the moment there seems to be nothing on the horizon, barring a change of government which makes a rapprochement likely. Indeed, the Israelis are content to see that this situation continues. The Arab boycott of Egypt, set up in Baghdad in 1978, has had some limited effect on Egypt's economy but has not caused its hoped-for collapse.

Egypt's main foreign policy platform is still the Camp David accords with Israel and the Peace Treaty signed in March 1979 in its two parts: on bilateral relations, and on the future political status of the Palestinians in the West Bank and Gaza Strip (known as the autonomy talks).

The former part, which will be concluded next April when Israel withdraws from the final part of Sinai, should be completed without too many problems. A multinational peace-keeping force, comprising contingents from the U.S., Egypt, Israel, Colombia, Uruguay and Fiji has been set up.

Israel is unhappy about the pace with which full normal relations are being established, but Mr Sadat, as his internal political clamp-down indicates, is taking no chances to prevent this goal being reached.

On the other hand, the autonomy talks, which were convened on September 23-24 in Cairo after a break of more than a year, offer little hope of reaching any positive conclusion.

towards the Palestinians are antithetical. Israel wants to ensure that no Palestinian state emerges in that territory. Egypt wants to see the embryo of such a state established.

Relations with the U.S. are close but marred by three main disappointments. The first is related directly to the "peace process," as Mr Sadat calls it. Egypt has been prepared to President Reagan and his team to become acquainted with the Middle East and its problems, but it is already looking beyond next April and as yet detects few signs of a coherent and comprehensive U.S. policy on the Middle East emerging.

When he was in Washington, Mr Sadat urged direct contacts between the U.S. and the Palestine Liberation Organisation (PLO) and between Israel and the PLO.

The second point is related to the first. If Mr Sadat is to stand a chance of being rehabilitated in the Arab world, he needs some positive development—such as U.S.-PLO talks or a major Israeli concession under American pressure in the autonomy talks—to give an increas-

FOREIGN POLICY

ANTHONY McDERMOTT

ingly cynical and divided Arab world proof that he has not been motivated by Egyptian interests alone.

The third point is the pace and cost of American arms deliveries.

Egypt remains expelled from the Arab League, but it has set up a counter-league of Arab and Islamic states which has received little support.

It has been excluded from the Arab bloc at the UN, but attempts to have it expelled from the non-aligned movement have been foiled.

In global terms, Egypt, with its large diplomatic service, has not been inhibited in its decisions, with Dr Butros Ghali, the Minister of State for Foreign Affairs, visiting Latin America, and Mr Kamel Hassan Ali, the Foreign Minister, returning last month from a visit to the Far East.

Relations with Moscow have been in decline since the expulsion of 17,000 Soviet military advisers in July 1972, but they reached a new low point last month when seven diplomats, including the Ambassador, were asked to leave in connection with an unconvincing spy plot.

To some extent, Egypt's more global approach to foreign policy is echoed in defence strategy. The armed forces, having lost Israel, their enemy in four wars, as their focus of attention, have been forced to find a more regional role.

This in turn, partly under the impact of expelling the Russians and the need for new equipment, links up with American global strategy. Because it is anxious not to become too dependent on one source of arms, Egypt has been turning to Western Europe for supplies.

The death of Lieutenant-General Ahmad Badawi, the Defence Minister, and seven generals in a helicopter accident last March, and his replacement by Lieutenant-General Abdel-Halim Abu Ghazala, has not, observers believe, weakened Egypt's military leadership. Indeed, some maintain that General Abu Ghazala is the more dynamic soldier.

In addition, to offset the military's falling social status, 4,000 (so far) are being provided for officers. They will be paid for with an interest-free loan over 30 years.

As a result of these new priorities, Egypt's armed forces are now more fully stretched. In aligning itself with the U.S. (a relationship strongly backed by General Ghazala) the country has not only to confront its regional foe directly—as a result of which about one-third of its fully active force of 425,000 troops are stationed on the Libyan frontier—but it must also provide facilities for the American rapid deployment force (RDF).

In connection with the first priority, Egypt has also to watch developments in Sudan, with which it has a defence agreement and where some 500 advisers are stationed.

Tension between Libya and Sudan has increased recently, and direct Egyptian involvement would pose acute problems of logistics as well as raise again the historical Sudanese aversion to an Egyptian physical presence.

To meet these new challenges, Egypt has embarked on an extensive and costly programme of rearmament. Not all the existing Soviet equipment is unusable. Britain, for example, is helping to refit and rearm T-55 and T-62 tanks.

Other gaps, it is hoped, could be filled with ships from Britain, helicopters from Britain and France, other European-made missiles and tracked vehicles, and even an air defence system from Switzerland.

But the centre-piece of the programme is the five-year U.S. plan which began in 1979. This could eventually cost, depending on how annual payments roll over, between \$4bn and \$5bn. (General Abu Ghazala would have preferred it to average \$1.5bn a year.)

For this the forces are receiving 35 F-4 Phantom fighters, 600 M-113 troop carriers (later to rise to 1,300), 11 improved Hawk surface-to-air missile batteries, eight or nine long-range radars, 40 F-16 aircraft, and 311 M-60 tanks.

Egypt is finding delivery schedules slow and costly heavy. But if the U.S. Congress funds an acceptable a letter from Mr Sadat offering the Red Sea base of Ras Banas as a facility for the U.S. then up to \$500m could be spent on developing existing airstrips and ports. This could be of permanent benefit to Egypt.

Inevitably, both diversification of arms sources and absorption of arms have raised problems. General Ghazala is keen to reduce the size of the armed forces.

In addition, two committees are now studying the command structures of various foreign armies with a view to producing a new Egyptian model which will encourage initiative and responsibility among middle-rank officers.

The result is that Egypt's armed forces are in the middle of a period of transition.

But until the changeover is completed, new equipment absorbed, and key areas upgraded (for example, with 16 C-130 transport aircraft and a few old Russian equivalents), Egypt could only transport just over 1,000 fully-equipped troops to a trouble-spot at any one time; the forces will not be able to meet the extensive and widespread defence priorities Egypt has set itself.

Summit gives negotiations new impetus

THE RESUMPTION of contact between Egypt and Israel, far from establishing normal diplomatic relations has, so far, been a distinctly one-sided affair.

All the wooing has come from the Israelis. True the Israelis would have, in the short term, more to gain if the Eight Articles governing mutual relations were turned into something practical.

The articles would provide a tangible exchange for the return of Sinai. But it is also in Egypt's interests. If there is to be a lasting peace between two warring neighbours there must be a real attempt to get rid of residual hostilities and mutual suspicions.

Otherwise Egypt and Israel have little hope of ever achieving the kind of friendly relations that such former enemies as France and West Germany have done.

But there are signs that negotiations may have gained new impetus following the Alexan-

dria Summit in late August between President Sadat and Mr Begin.

It would seem that the Israelis, aware that once Sinai is returned they will have little influence on Egypt, are without articulating the threat of delaying the return—now pushing the Egyptians as hard as they can for a clear accord before April 26.

Because the return of Sinai has become President Sadat's main goal, Egypt, after taking over a year to ratify many of the agreed protocols, is now giving at least the impression of a new commitment to normalisation.

Since the summit there have been two rounds of talks, first in Jerusalem and then in Cairo. Some progress was reached on several matters affecting trade.

Most are of more immediate benefit to Israel, for apart from the 2.5m tons of oil guaranteed by the peace treaty Egypt exports almost nothing to Israel.

Trucks will be permitted to travel across the frontier in both directions. Previously, goods had to be transferred at the border from Israeli to Egyptian trucks. From November Israeli trucks driving through Egypt will be granted multiple visas allowing free visits over two months.

Frontier posts are to be increased. This, it is hoped, will reduce transit delays, currently averaging three to four hours.

Egypt has agreed in principle to grant the same multiple two-month visas to Israeli businessmen as it gives those from other countries. There remains, however, the problem of defining the word "businessman".

Egypt has agreed to facilitate the registration of Israeli companies. Two had previously attempted to do so with the same lack of success as Israeli companies tendering for Egyptian contracts.

Israeli companies have been permitted to advertise in the Egyptian media, including television.

Trade, like most other aspects of normalisation, is unbalanced. Egypt sells Israel oil worth some \$600m while Israel's exports had amounted to only \$12m by the end of last year. This year exports have so far totalled \$33m, but \$31m of this is a one-off benzene deal negotiated as a spin-off from the oil sales.

Israeli exports are therefore worth only some \$7m consisting mainly of bananas and other fruit, eggs, day-old chicks and soy beans.

Part of the problem has been that until the recent ratification of the trade protocol Israeli companies have been unable to deal with the Egyptian public sector. Another is that only one bank, the Suez Canal Bank, is permitted to open letters of credit for trade with Israel.

Although the business is small, and several Egyptian banks would prefer not to endanger their lucrative Arab business, there are many other banks which would be interested. At present much of the trade is financed through West Germany and the U.S.

At the same time, despite encouragement from the Israelis, the Egyptians have made little attempt to sell to Israel, though at the latest talks both sides submitted a list of possible goods. Israel had previously expressed interest in buying such products as chemical raw materials, leather goods, textiles and yarn. But even where sample orders were negotiated they have not been followed up by the Egyptians involved.

The two areas which, perhaps, offer the most potential for mutual benefit are agriculture and tourism. In agriculture there has been a good exchange of visits at all levels and there is some optimism that this could lead to future co-operation or joint venture deals.

In tourism there is the possibility of eventual joint ventures, though the problem of the Sinai tourist sites will have to be resolved first. The separate civil aviation agreement appears to be working well, with flights to be increased to five a week next April.

Most of the passengers are tourists from Israel, either Israelis or other people such as American Jews splitting their vacation between the two countries where once they would have spent it all in Israel. Thus Israel is actually losing some of its tourist income.

So far a total of 26,660 Israeli tourists have visited Egypt since the signing of the Peace Treaty. But the traffic the other way has been less than 2,000 and about one-third of them are Egyptian diplomats.

Apart from the Egyptians' lack of interest in visiting Israel and, of course, their lower average incomes, exit visas are also difficult to get. This also affects Egyptian busi-

nessmen, many of whom dislike the additional security check to which they would be subjected.

While Israelis are deeply disappointed by the lack of progress in normalising relations the Egyptians have been largely indifferent—until the possibility of a delay in regaining Sinai emerged.

The area where there has been the least progress is cultural relations. Many Israelis consider it, quite rightly, to be the most important area if mutual understanding is ever to be attained.

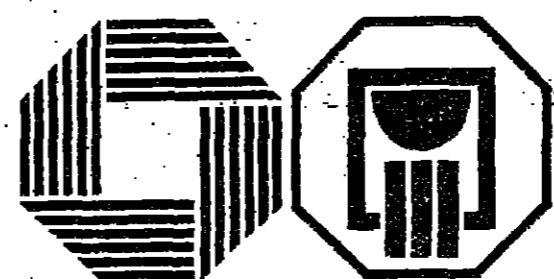
Egypt has only just ratified the protocol on cultural relations despite reaching agreement a year ago. There have been no cultural exchanges so far. On the contrary, there have been reports of Egyptian artists wishing to exhibit their work in Israel being refused an exit visa.

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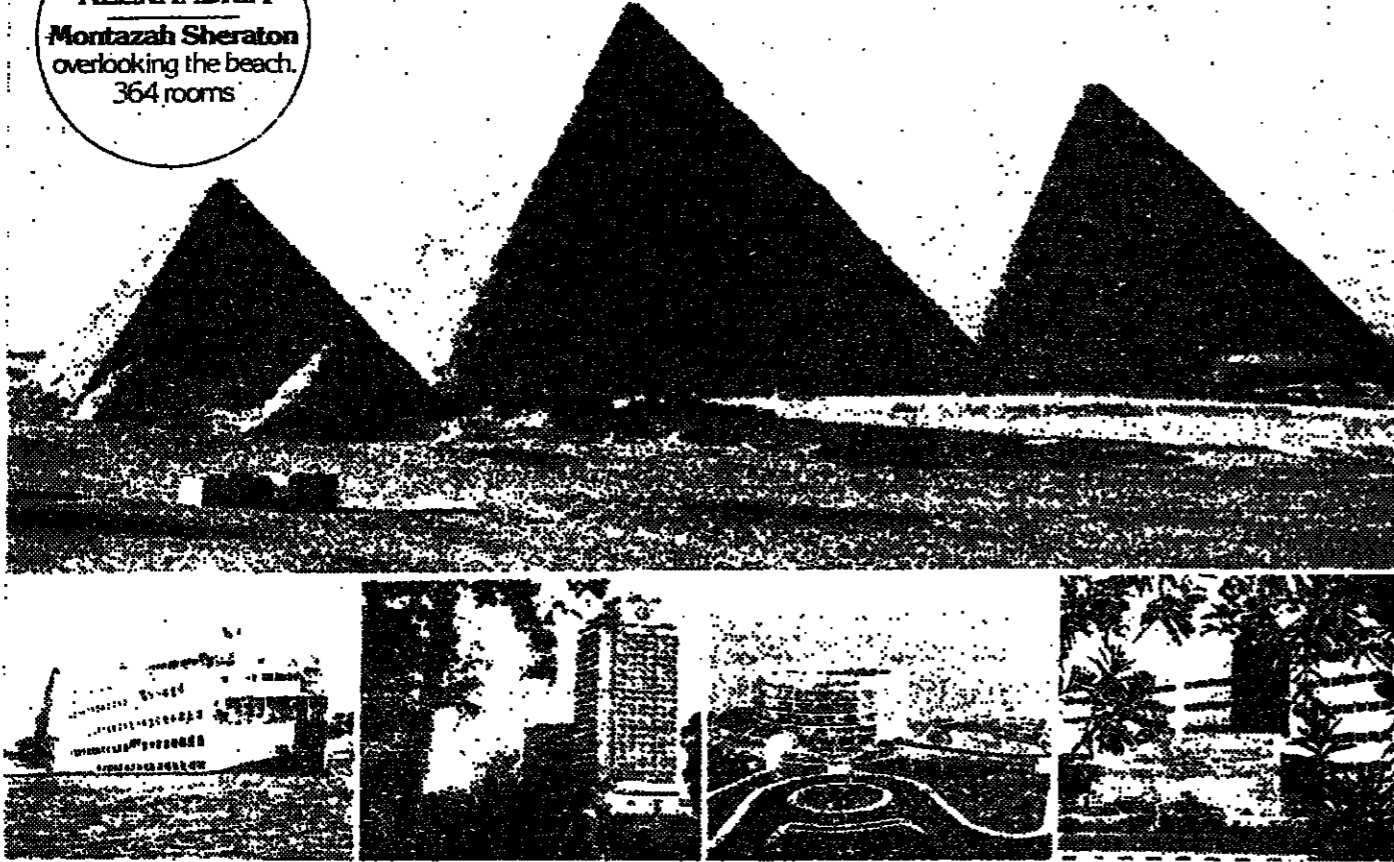
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EGYPT VI

Ambitious programmes for developing resources

AFTER A number of years of rising production and export earnings, the Egyptian oil industry has run into difficulties—most of them not of its own making.

The world oil glut, together with the Egyptian Government's policy of pushing production to its highest safe levels to maximise income, has caused a few problems.

The most serious has been that prices for Egypt's prime Gulf of Suez crude have fallen by about 18 per cent, and this has caused earnings to rise far less sharply than in recent years.

At the same time, the Government is engaged in a long-term project for drawing up an overall energy policy to meet requirements until the end of the century. A key element of this policy will be the switch-over during the 1990s to nuclear power.

Within this context, oil (and, progressively, gas) will continue to play an important role—not just as a source of energy, but also of funds set aside annually to pay for the nuclear plant.

In 1977, Egyptian oil at production levels of 20.8m tonnes (about 416,000 barrels a day), brought in a net surplus to the balance of payments of \$800m. In 1980, with production averaging 595,000 b/d, income totalled \$2.5bn.

Calculations have been complicated by the shifting of the fiscal year to start on July 1 from 1980, but according to Mr Ahmed Izzeddin Hilal, the Deputy Prime Minister

of all is what income the Egyptian Government can expect from current and expected output levels. The key element for the bulk of Egypt's earnings is the exportable surplus.

Local consumption, rising at an alarming 11 per cent a year, currently accounts for between 320,000 and 340,000 b/d. The foreign companies, under the terms of the production-sharing concession system, are collectively entitled to about 250,000 b/d as risk reward and payment for exploration costs.

The percentages inevitably vary in the latter category according to individual contracts and to the overall level of production. But under any circumstances this leaves little over for straight exports.

Calculations are based on two slightly optimistic assumptions—first that the year-round average price will be \$33 a barrel in a favourable world market, and then that Egypt receives for export 23 per cent of its total oil production. On

are yet finalised) exploration and development could reach \$1bn over the next four years. Several of them will be outside the favoured Gulf of Suez region.

From this it can be inferred that the availability of rigs for example permitting, some increase in oil output can be expected. EGPC is now revising the targets of its five-year plan. Originally it aimed at production levels of 75,000 b/d in 1984-85, but this is being revised upwards to 1m b/d. These would seem to be realistic targets.

Depending on how much local consumption can be restrained and the condition of the world markets, export surpluses will remain an unpredictable, but important element in Egypt's balance of payments in years to come.

The extent to which Government reluctance to cut back on energy subsidies and reform pricing has become a major issue for international organisations

on the development of a gas field by Elf-Aquitaine and Abu Madi offshore from Ras Helwan National gas is already used domestically (as for Helwan comes from Abu Ghazala for domestic use, but it is hoped it will be piped later on to the Helwan industrial complex).

Industrially, Abu Madi feeds a fertiliser plant at Ras Helwan and a textile mill at Matruh. At Ras Helwan, the Delta, while Abu Madi is being used to feed a fertiliser plant.

The current review of Egypt's energy needs, being carried out by the Supreme Council for Energy (SCE), set up in 1977, is the third of its kind and is concentrated on sources of electrical power.

At present, commercial primary demand for energy in Egypt is about 17m tonnes of oil equivalent (roughly 100,000 b/d). The equivalent of 20,000 b/d, with hydro-power accounting for nearly 5 per cent. Nearly 16 per cent goes into electricity generation, thus bringing the total share of electricity to 25 per cent.

The Ministry of Electricity has two sets of plans in action, one up to 1985 and the second up to 1990, costing up to \$400m. But by the year 2000 the change in the balance of sources should, according to plans, be strikingly different.

In the year 2000, on the basis of assumptions that the Egyptian population will be 60m and the electricity growth rate per year only 9 per cent, 65m tonnes of oil equivalent will be required. Only 15 per cent is to come from hydro-power, 5 per cent from oil and gas, and also some imported coal (5 per cent will come from such exhaustible sources as the wind, biomass and geothermal power).

The most controversial aspect is undoubtedly the decision taken, in conjunction with Egypt's ratification of the Nuclear Non-Proliferation Treaty last February, to go for nuclear plants. Eight plants, each generating nearly 8,000 MW and to be divided in their locations between the Mediterranean and the Red Sea coasts.

Agreements for bilateral co-operation as a first stage towards putting the projects out to tender have been signed with France, the U.S. and West Germany. Each will provide two plants. The country supplying the other two plants remains uncertain.

It is hoped that the first of the two nuclear power plants to be built by French companies will be in operation by 1990.

Of the hydro-projects the most spectacular is the \$300m scheme for digging a canal from the Mediterranean to the Gulf of Suez, using the difference in levels (the Depression is 134 metres below sea level at its lowest point) to operate a power station on its edge designed to generate at 640 MW a year of full output.

Sweden, a Swedish company is currently carrying out feasibility studies for the canal and should have completed its studies in 1983-84. The project itself should take between eight and 10 years to complete.

The long-term projections undoubtedly set difficult targets, requiring the construction each year of the equivalent of one 300 MW plant a year. After the experiences of recent years the project is decidedly ambitious.

A key constraint could be finance, in spite of the \$900m set aside annually (as long as they continue to be fully paid). Dr Abdel-Meguid is confident that these, though interest earnings accumulated, could amount to \$250m by 1999. At present prices (and given nuclear power expenditure of \$10bn) they could cover total estimates of the whole energy programme.

An earlier joint assessment with the U.S., however, put the costs higher at \$24bn. These ambitious targets are not impossible but if they are not reached part of the problem may lie in the fact that nearly every ministry is drawing up its own programme to the year 2000 and there may not be enough money to go round.

PRODUCTION AND DISTRIBUTION OF CRUDE PETROLEUM

	1977	1978	1979	Estimated 1980
By Location:	20.9	24.4	26.3	29.6
El Morgan, July and Ramadan	14.3	17.4	18.5	21.0
Other Red Sea and Eastern Desert	1.4	1.3	1.1	2.1
Western Desert	1.5	1.4	1.5	1.3
Sinal	3.7	4.4	5.1	5.2
By Share:				
Cost Recovery Experts	3.1	4.3	5.1	5.6
— to cover actual costs	1.6	2.7	2.5	2.1
— returned to EGPC	1.5	1.6	2.6	2.5
Profit Oil	16.5	18.9	20.2	22.5
— Egyptian share	14.8	16.2	17.4	19.1
— Partners' share	1.7	2.7	2.8	3.4
GPC Production	1.3	1.2	1.1	1.2
Total Egyptian Share (plus purchases of crude oil)	17.1	18.8	20.7	22.8
— used for refining	0.5	0.2	0.2	0.1
— change in stocks	11.1	11.9	12.3	13.8
— exports	0.5	0.2	0.2	0.3
Partners' share	6.0	7.9	8.4	9.8
— exports	3.8	5.6	5.6	5.8
— sales to Egypt	3.3	5.4	5.4	3.7
— sales to Egypt (millions of metric tons)	0.5	0.2	0.2	0.1

Source: Egyptian General Petroleum Corporation
EGPC subsidiary.

the whole, with Israel taking 2.5m tonnes a year, Egypt has little difficulty in selling its exportable surplus.

But on the basis of these two assumptions, 675,000 b/d total production would produce an income of \$2.25bn, 700,000 b/d an income of \$2.36bn, and 725,000 b/d an income of \$2.45bn. The last level of output has yet to be maintained.

The picture is further complicated because Egypt's earnings are worked out in terms of an overall petroleum balance of payments.

For example, in 1980-81 total exports were worth \$2.3bn (\$3.3bn), and included \$1.2bn from crude oil, \$1.6bn from cost recovery oil from the foreign companies, and \$500m from by-products.

Against this should be set imports worth \$2.4bn, which included \$1.4m of crude and \$1.4m of products—leaving a balance of payments surplus of \$1.9bn (\$2.7bn).

Inevitably, Egyptian oil officials speak enthusiastically of the possibilities of finding another Morgan or July field in the Gulf of Suez, or even, more widely, in other parts of Egypt. But the consensus is that there are no finds they will be small but outstripping the depletion rate of the proven recoverable oil reserves, currently estimated at 4.3bn barrels.

EGPC is pressing for deep drilling. But the oil companies are wary, because of the expense involved and also because the deepest probes have peaked off at around 11,000 feet. They need to be strongly convinced that it is worthwhile.

Meanwhile, there is the problem of defining what constitutes a new discovery rather than the development of an existing well or field. EGPC claims that since the beginning of last year 24 oil discoveries have been made. Mr Hilal describes them as "brand-new discoveries".

The fact is that the expansion of existing production levels will take a year or so to be felt. Perhaps the most encouraging find, "new" by any definition, has been by Mobil off Hurghada in the relatively unexplored Red Sea area.

Meanwhile, EGPC, whose relations with exploring and developing companies is often somewhat more cordial than with the producers, presses on with concluding exploration contracts. It is not quite at the same rate as the record year of 1980, to some disappointment within the corporation. It seems that since Mr Ali Ghandi took over as chairman much of the policy-making has slipped away to the Oil Ministry.

Nonetheless, since the Ministry was set up in March 1979 no fewer than 100 agreements have been concluded, with a total commitment to spend \$2.1bn on exploration and development and with signature bonuses totalling \$179.1m.

On the basis of contracts drawn up this year (and not all

tions and the countries providing Egypt with aid.

The size of the problem was indicated by a report from the Industry Ministry to a standing committee of the People's Assembly, which estimated that the differentials between world market and domestic energy prices for the first half of this year would be \$1.2bn (\$1.2bn), and for the whole year more than twice that.

This cushioning is inevitably causing organisations in both the private and public sectors to put off the painful decision to change their factories over to energy sources less expensive and ultimately wasteful than oil. This delay will, of course, make the investment in reorganisation more expensive in the long run.

Another area in which the Government is accused of indecisiveness is in the exploitation of natural gas. The first imports into the enormous rise in consumption of Butagas, of which the consumption has more than trebled during the past decade, were made last May when the piping of domestic natural gas to Helwan, a southern suburb of Cairo, was inaugurated.

But a national policy has yet to be drawn up to enshrine a gas clause in contracts (not dissimilar from those in oil contracts) beyond saying that until national reserves of 12 trillion (million million) cfd are found—they are reckoned currently at 5.5 trillion cfd—gas exports, an extremely costly investment requiring pipelines on special ships, are out of the question.

Three natural gas fields have been discovered so far: Abu Madi in the Nile Delta, Abu Ghazala in the Western Desert, and Abu Kir offshore in the Mediterranean. Current production has risen rapidly to 2.5m tonnes in 1980-81 from 33,000 tonnes in 1975.

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مكاتب التأمين

EGYPT VII

Drive to attract more Europeans

HOW MANY people in Britain or for the matter anywhere else, had heard of Hurgada before the Prince and Princess of Wales stopped off there?

This much publicised royal visit and those earlier this year first by Prince Philip and then by Prince Andrew, have provided a timely boost for the Egyptian Ministry of Tourism's efforts to attract more visitors from the West and to develop Hurgada and other sites along the Red Sea coast as recreational resorts.

Although Arab visitors have been coming to Hurgada since the 1960s, it was only in the last few years that it has become a major tourist destination. In 1979, about 100,000 Arab tourists visited Hurgada, a 100 km stretch of coast, and the number is expected to rise to 200,000 in 1981.

Because new tourists are expected to come mainly from those countries, future developments will be adjusted to their various needs. Egypt is attempting to diversify its attractions to bring in recreational and other holiday-makers, as well as the "eggheads" who come mainly to visit the world-famous archaeological sites of Upper Egypt.

In the Red Sea, Egypt believes it has a unique holiday location within easy reach of Europe. It offers year-round bathing on beautiful sandy beaches set against red mountain ranges and a wide variety of water sports.

But its main asset is under water in the unspoiled combination of coral and fish life for the skin-diving enthusiast.

At present, the only resort is Hurgada with the 110-room Sheraton Hotel, built in the 1960s. But because of the war with Israel, not opened until 1979. Nearby is the tourist village at Magawish, with 200 bungalows owned by Mr. Hisham, part of Egyptian, and operated by a French company, which opened last year.

Both resorts are to be expanded and, encouraged by their initial success, the Ministry of Tourism is now ready to develop other sites. An initial study of the potential was completed two months ago, and a special committee set up to be responsible for its development in conjunction with the Ministry of Reconstruction.

Encouragingly, Egypt appears to be taking a more disciplined approach to developing the Red Sea coast than it has elsewhere, with more awareness of conservation, and the conditions imposed on prospective developers are more rigorous.

As many as 32 potential tourist sites have been selected

along the 1,000-km coast. Most of them are south of Gyrghada, or Ghardaka as it is known locally.

Prospective developers can reserve a site for six months, after which they must submit detailed proposals including those for the basic services. They have also to provide specific details of their own finances, and those of other investors involved, the capital of the company, and the loan financing secured for the project.

If they fail to do so their reservation lapses. For those who do, the project is then

TOURISM

MARGARET HUGHES

appraised by the special committee before approval is given or withheld.

Egypt is keen to attract European and U.S. investment for these projects and is already having some success.

About six sites have already been reserved for, among others, a consortium of British companies including Siefert International, Warwick Charlton and Eric Morley, which is interested in building a tourist complex at Disht Bahaa, 24 km south of Hurgada, that Mr. Hisham, a new company set up by Mr. Hisham and others, is also interested in developing.

The Swiss hotels chain Gauer is interested in building a hotel at Hurgada while another Swiss company, Manotel, is a member of a consortium led by Joseph Bush involving British, French and Canadian investors, which has reserved a site at Abu Sura.

A rich Egyptian, Mr. Ustafa Musa, leads another group, including Saudi and Kuwaiti interests, which wants to build a tourist village at Sharm Al Arab, 81 km south of Hurgada. This would be managed by Oberoi, which already manages the Mena House Hotel in Cairo and the Aswan Oberoi. Midland Bank/Samuel Montagu is also known to be interested in forming a consortium but has so far made no site reservation.

Finding a prime site for tourism is not without its problems. Basic services such as water and electricity are limited, while roads will have to be improved and the airport at Hurgada expanded to take the hoped-for influx of tourists. Although most oil operations

so far are to the north in the Gulf of Suez area, there is already an oil pollution problem.

The study recommends that precautions should be taken to prevent and clear up oil spills and proposes the setting up of marine parks to prevent the depletion of underwater resources.

While Egypt regards the Red Sea coast as its main asset in terms of recreational tourism, there are also many beautiful unspoiled beaches along the Mediterranean coast.

There is the added problem that much of the land has been sold cheaply to co-operatives, which, where they can afford it, are developing the area piecemeal. Unfortunately, the Ministry has so far been unable to impose any co-ordinated plan.

In the more distant future Egypt hopes to provide the facilities and basic services to attract motorists from Europe. It is contemplating developing the oases of Siwa and others in Mitrah for individual or small group tourism.

The Ministry is also negotiating with a Scandinavian government agency to undertake a feasibility study of potential holiday spas such as Helwan, Fayoum, and places in the Sinai Peninsula.

On the archaeological front there is, somewhat belatedly, concern about the damage which indiscriminate tourism can inflict on Egypt's ancient monuments. A study is being undertaken by Arthur D. Little, the American management consultancy, with a view to relating future developments to the preservation of the Luxor sites. Hotel capacity there, meanwhile, has been restricted to 3,000 rooms.

As part of its plans to protect Luxor, the Ministry is attempting to develop Minya, some 250 km south of Cairo, which has perhaps a wider variety of antiquities from the Pharaonic, Christian and Graeco-Roman periods.

It is seeking \$50m of foreign money to improve the basic services and hopes that some of this aid will be provided within the financial protocol to be signed this month between Egypt and the EEC.

The Ministry is also awaiting final approval of an Italian Government loan to cover a study which Fawcett is to undertake of the area. The aim is to start development in two years. At present Minya has only two fairly simple hotels which cater for a limited number of coach parties.

TOURIST ACTIVITY

	1978	1979	1980	1981
Arrivals ('000)	1,452	1,064	1,253	660
Arabs	456	397	479	253
OECD Countries	503	575	664	345
Socialist Countries	25	31	24	11
Other	68	61	86	51
Nights spent	7,137	7,105	8,804	4,633
Arabs	2,717	3,408	3,595	1,835
OECD Countries	2,947	3,373	3,927	2,495
Socialist Countries	116	100	82	41
Other	357	222	469	262
Income (Efm)†	409.9	364.8	401.2	183.4
* January-June. † Exchange rate: U.S.\$1 = E£0.70.				

Source: Ministry of Tourism.

Misr Hotels is planning to build a 150-room hotel at Malawi, nearer to the famous archaeological sites.

Another area which Egypt will soon be able to exploit is Sinai. Already there are some visitors to St Catherine's Monastery and hotels are being built at El Arish, including a 150-room three-star hotel to be managed by Marriott.

But full-scale development of the Sinai will not be possible until existing sites in the rest of the area are returned by the Israelis.

How many of these plans for diversifying tourism turn out to be pipe dreams remains to be seen. In Egypt plans have a habit of, if not totally evaporating, taking years longer than expected to materialise.

Meanwhile, its traditional tourism continues to expand, with the number of arrivals up 17.8 per cent to 1.25m last year and another rise of 18.3 per cent in the first seven months of this year.

Tourists are also staying longer, the average stay now being eight nights longer than two years ago.

Mr. Gamal Nazer, the Minister of Tourism, predicts that in 1985 as many as 4m tourists will visit Egypt, which requires an annual growth rate of over 25 per cent. He also forecasts that revenues will rise to \$2m by 1985.

Although tourism revenue is the fourth largest source of foreign currency earnings, the Government is seeing less and less of the benefits as more and more foreign exchange is converted outside the official system operated through the banks and hotels.

Thus the growth in tourism revenue does not keep pace with that of tourist arrivals. Last year revenues were up 9.5 per cent, about half the rise in numbers of tourists, while in the first half of this year they were down by as much as 23

per cent. Another drawback is the low net return, given the high import content of the industry. Although improving, it is still only 20 to 25 per cent.

Mr. Nazer hopes that revenue will top the \$1bn mark this year, but he admits that it will be calculated differently. Previously they were based on bank transfers and on this basis he expects them to be around the same level as last year's.

In future, revenue will be calculated by estimating the actual spending by tourists. As a result, the currency declaration forms, which tourists dutifully fill in when they arrive but are never asked to surrender when they leave, will be more rigorously collected and scrutinised.

Official tourist revenues have been hit by the thriving black or grey currency market, as it is called, by virtue of its until recent official recognition. Street currency dealers still offer a premium of around 30 per cent on the official rate.

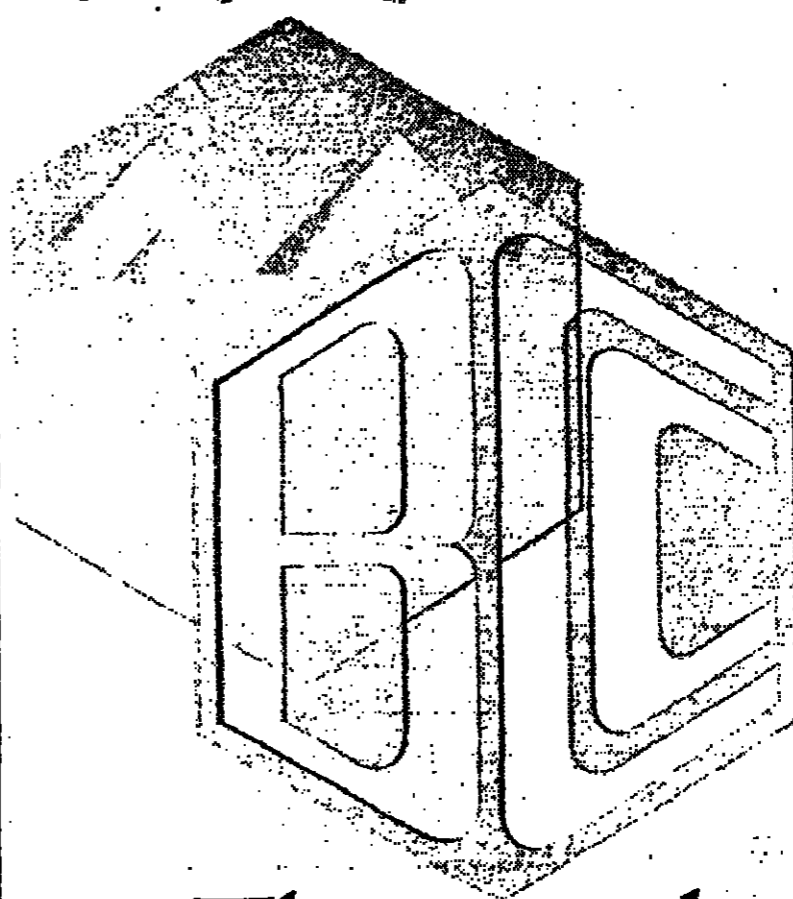
To meet the expected increase in tourists some 33,000 new hotel rooms are under construction; 2,000 will be added this year, bringing the total up to 17,000.

They include the 992-room Ramses Hilton in Cairo, the 300-room Concorde, and the 215-room Novotel, near the airport and due to open later this year, a 200-room Ramada, and, at Giza, a 155-room Penta hotel. Sheraton has opened its 350-room hotel in Alexandria, where it also will manage another to be built on the present Beau Rivage site.

Even so, occupancy rates still average 85 per cent and in Cairo are often as high as 92 per cent. Mr. Nazer believes that supply and demand will not be in reasonable balance until 1985.

Current investment in hotel projects is \$1.5bn, of which 80 per cent is provided by private enterprise. But only about \$200m of this is foreign investment and comes mainly from Arab sources outside Egypt.

هكذا من الأشجار



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Decay of a priceless heritage

LARGER THAN any city in Europe, enriched by a network of trade and culture that stretched from Spain to China, fifteenth-century Cairo was probably the greatest metropolis of its time.

Its splendour is still visible in some 4 sq km of largely intact medieval streets and buildings, a legacy that with international support — twelfth-century Cairo is seeking to preserve and restore.

But "passive decay" could mean the disappearance of the city's medieval heritage within a century or so. The most serious threats come, however, from a rapidly increased population density, with consequent pressure on long-neglected and overburdened public services.

This pressure has transformed residential areas of the historic zone, solidly middle-class 50 years ago, into slums, while mosques and palaces have become quarters, factories and rubbish dumps.

Were such circumstances to continue, it is doubtful whether this historic zone could survive as such for even five more years.

In 1977, dismayed by what seemed the inevitable destruc-

tion of an irreplaceable cultural heritage, Egyptians began informal appeals to the international community. The Architectural Review published a major article and in September 1978 the Goethe Institute in Cairo enlisted the support of Unesco and the Antiquities Organisation to sponsor a seminar that attracted local and foreign expertise.

A few months later SPARE (the Society for the Preservation of the Architectural Resources of Egypt) was founded, with headquarters in Cairo and London and the specific aim of arousing international concern.

The major step, however, was the foundation in the summer of 1979 of the Egyptian Society of Friends of Antiquities, under the chairmanship of Mrs. Fihari Sadat, the President's wife. It included members at Ministerial level.

With such obvious encouragement, the antiquities organisation was quickly enabled to take two initiatives: it nominated "Islamic Cairo" — the historic zone — to Unesco's World Cultural Heritage List, thus giving it protected status, and it also requested, in

February last year, that Unesco provide a team of experts to recommend a conservation strategy.

Last December the team's report was submitted for the consideration of all participants at the first International Conference for the Conservation of Islamic Cairo, sponsored jointly by the Egyptian Society of Friends of Antiquity and the Antiquities Organisation.

In approving the report, with its proposal that conservation

ARCHAEOLOGY

DR JOHN RODENBECK

should begin with monuments situated at crucial points within the historic zone, the conference made a series of recommendations, tantamount to a programme, beginning with the establishment of a Cairo Conservation Agency and including specific guidelines for actual survey and restoration.

Most of this programme has still to be acted upon, largely because of an administrative disaster caused by the lack of a replacement for the retiring head of the Antiquities Organisation.

International standard restoration practice is defined by the Venice Charter, promulgated by the International Council of Museums and sites under Unesco auspices in 1961. The Lahore Statement, a version of the charter with particular reference to Islamic buildings, was issued in conjunction with the symposium on conservation and restoration of the Islamic cultural heritage held at Lahore last year.

Supported by the recommendations of the Cairo Conference, the principles embodied in these two documents are expected to serve as guidelines for all future work. The conference also recommended that any building of any date in any part of the city be eligible for indexing.

Apart from the preliminary programme implied in the Cairo Conference recommendation, which will cost an estimated E£40m for its implementation, Egyptian and foreign teams have been at work, some of them for many years, on particular monuments.

The Ministry of Development, which will have a large share of responsibility for what is ultimately done, has declared that "the monuments and landmarks of medieval Cairo constitute the national heritage and their restoration is the area's first and most important need."

In Egyptian terms, Cairo is a young city, dating essentially from the seventh century AD,

when Arab invaders took the garrison town known as Babylon and built a new city around it. Under subsequent regimes the city became a centre of empire, each régime over the next few centuries adding new quarters in a pattern generally extending to the north.

Minimising destruction, this pattern of development helped to keep much of Cairo intact, conserving a vast range of building. The Napoleonic expedition's map of 1800 thus shows a city almost identical in configuration with the city as it was in the late fifteenth century.

As in Europe, the nineteenth century brought change, particularly under the Khedive Ismail (1863-82), when major public works — the installation of water, gas and sewage systems — were carried out at about the same time as their counterparts in Paris and London.

A master plan of the Haussmann was imposed. It included not only the development of new quarters but also the diverting of new boulevards through older parts of the city.

Ismail's Minister of Public Works, Ad Mubarak, meanwhile suggested, in accord with the taste of his time, that although the modernisation of the city would require the razing of entire districts a few exemplars should be preserved for historical and aesthetic reasons.

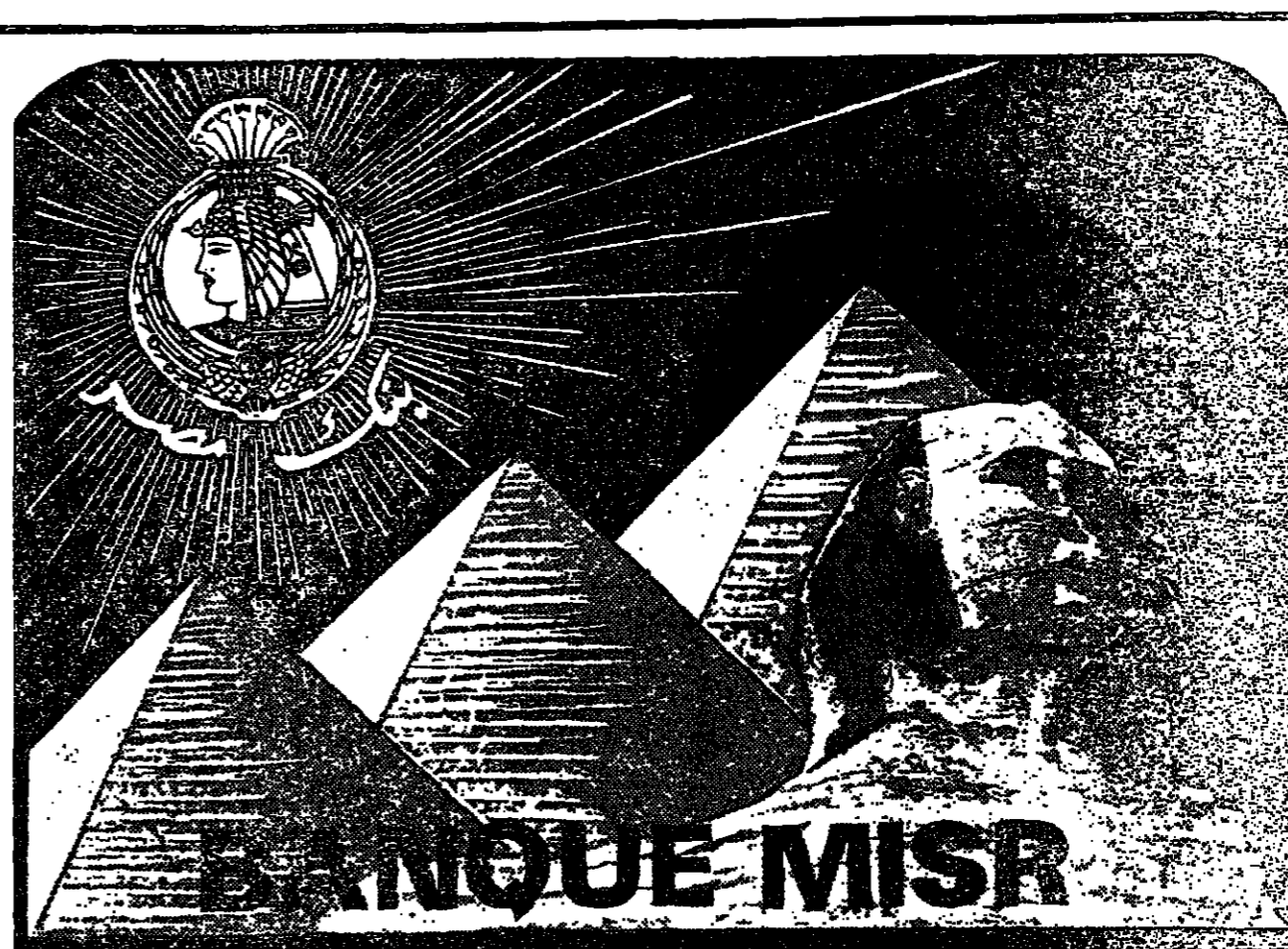
It was with such thinking as its mandate that in 1880 the Comité de Conservation des Monuments de l'Art Arabe was established, its chief task being the creation of an index of monuments worthy of preservation.

The Comité was also charged with overseeing the restoration and conservation of these selected monuments.

Until 1952, when its functions were taken over by the Islamic Section of the Antiquities Organisation under the Ministry of Culture, the Comité supervised the work, ranging from the minor to the prodigious, on more than 500 buildings.

The policies that governed the Comité's selection for the index, typical of the period and not unexpected in a country so rich in other architectural remains or so respectful of the rights of property owners, limited the number of buildings listed throughout Egypt to a maximum of 622, including some in the provinces or the outskirts of Cairo.

In one small area within the Fatimid quarter, however, a recent survey conducted by more up-to-date methods has shown that in addition to 69 buildings already listed at least 33 should also be indexed. Dr Rodenbeck is the chairman of SPARE.



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EGYPT IX

Our correspondents profile leading personalities in Government, industry and business.

Mr Mansour Hassan

WHEN HE was a graduate student in the U.S. in the 1960s, Mr Mansour Hassan, until recently a key figure in President Sadat's inner circle of advisers, is said to have been known as the Prime Minister, so persuasive a speaker, and energetic an activist was he as head of the Arab Students Union.

Until September 22, and with a Cabinet reshuffle in the offing, his name was among others in the rumour-mills as a possible Prime Minister of Egypt, a post still held by President Sadat.

In fact, just the opposite occurred. Mr Hassan was the only Cabinet Minister to be sacked. He was then somewhat insultingly put forward by Mr Sadat as a candidate for one of the positions of Deputy Speaker of the People's Assembly.

But at the age of 45 he has plenty of time for a comeback after an impressive and swift rise towards the political top in Egypt.

Before his dismissal—for disagreeing with Mr Sadat over his purge of religious

extremists and political opponents—he had the lengthy title of Minister of State for Presidential Affairs and Information and Culture.

His trim figure, was rarely seen away from the President's side, whether at the presentation of a new ambassador's credentials or at press conferences.

After completing his education at the Victoria College in Alexandria and at Cairo University, and obtaining an MSc degree at the University of Michigan, he worked for a while at the Arab League. This has now been transferred to Tunis and Egypt has been expelled from it because of its peace treaty with Israel.

Then he left to work for his father's cosmetics company, which represented, among other brands, both Yardley and Revlon.

Mr Hassan is a firm believer in the political party system. He was elected to the People's Assembly and joined the NDP not long after its formation some four years ago. He then edged up in its committees until in February 1970 he was head of the NDP office, liaising

with the President.

In the same year he was awarded his first Cabinet post—the one with the long title he held at the time of his sacking.

His tenure was not without mental and emotional strain, because for a period from last year until early this year he was deprived of the Presidential Affairs portfolio.

He is a highly articulate man and it was probably his liberal views which brought him to grief in the recent Cabinet reshuffle, for it is reported that he was one of the few members of the Cabinet with enough personal access to the President (while also being a good friend or Mrs Sadat) to be able to give him a true picture of events rather than what Mr Sadat would like to hear.

Apart from losing his job, if Mr Hassan has another regret it must be on leaving the elegant white mansion in palm-tree grounds in Zamalek which was his Ministerial office.

The chances are that he will be back, if not there at least somewhere else in the Government, before too long.

ANTHONY McDERMOTT

Mrs Naela Allouba

MRS NAELA ALLOUBA is not a person one would immediately associate with fertilisers, grain futures or the wholesale meat market. Sitting in her small home office in Sherif Street in the centre of Cairo she seems the epitome of a civic reminiscent of the city before the revolution.

She admits that when she announced in 1971 she was going into business on her own, her friends immediately thought of fashion or cosmetics. But she spurned these possibilities for "something big," something solid, which she also thought would help her country.

Ten years later she heads a middle-ranking import business that specialises in bulk orders for cement, wheat, meat, fertilisers and machinery—all his business in the wake of Egypt's current import boom. Now she is thinking of setting up her own distribution company and expanding a small detergent company, set up with a friend, into a proper production unit.

The experience with the detergent company was an object lesson for her. The friend wanted to keep it as it was. Mrs Allouba wanted it to grow. Now she is in partnership with her U.S.-educated son-in-law Azam El-Farouqi, and there is no looking back.

When Mrs Allouba started out it was very different. Indeed, it was the restrictive climate of the early '70s, combined with her desire to make a career for herself, that pushed her into business. As she had curtailed her studies at 16 to marry, she first finished high school with her daughters and while they enrolled in the American University, she went across the river to Cairo University in Giza and graduated from the School of Journalism in 1970. "It was a very difficult time," she says. "One did not feel free in expressing oneself."

She thought business would offer her greater scope. In those days, before the open door policy, an Egyptian could not represent a foreign company. She decided to start on her own. So, using her international and local contacts built up over two decades as the wife of a prominent local expert, and through her own work in welfare (with the legendary Egyptian feminist Hoda Shaarawi), she set up the Cap Nahal Trading Company.

She likes to feel her company and its strong specialisation in strategic imports has helped change attitudes to trading. Now, she says, "the market is more or less free for a woman in business in Egypt, she thinks, is considered in the same way as a woman running any one of the many coffee shops that dot the poorer parts of Cairo. Even the humblest woman knows her rights as regards property, what she puts in and what is her entitlement from a marriage. For instance, she started her business with her own inheritance."

That said, Mrs Allouba still felt acutely conscious, when starting off, of entering a man's world and that she must not fail. The first contract she won, back in 1971—a big one for fertilisers—was her greatest test. "I was trying much harder than any man," she admits, "because I didn't want to fail and have it said it was because I was a woman."

ALAN MACKIE

towards the Israelis—in spite of more than once being blown out of a tank.

But he leaves the impression that he finds it hard to forgive and forget, particularly where the Palestinians are concerned.

Gen. Abu Ghazala is also a prolific writer with no fewer than 27 books and pamphlets, mainly about artillery, to his credit. He has also translated into Arabic two books—one from English and one from Russian about military strategy. He also speaks French.

In an interview he appears both clear-thinking and confident. He has no doubt that the Egyptian armed forces can adapt to any equipment the Americans or anyone else sends them—preferably as quickly as possible.

"Morale is high," he says. "For it to be high enough the soldier must have an idea what he has to fight for. So you have to explain to him the threats around you... and get the message to him that might be right for the right and not for the wrong."

ANTHONY McDERMOTT

General Abu Ghazala

IT MIGHT have been Lt. Gen. Abdel-Halim Abu Ghazala's ambition all along to become Defence Minister—but certainly not the way it happened.

Last March, his predecessor and seven senior generals were among those killed in a helicopter crash while taking off from Siwa in the Western Desert near the Libyan frontier.

Most observers believe that without maligning the late Gen. Badawi, the present holder of the defence portfolio (and with a control of arms production and the post of Commander-in-Chief of the Egyptian armed forces) is an improvement.

Gen. Abu Ghazala will be 53 on next new year's day and even before he became Defence Minister his swift military promotion had caused a stir among other officers senior to him in the theoretical pecking order.

Seated in his large brown-paneled office, the flags of the four services (air, defence is separate) on stands beside him, models of aircraft, tracked vehicles and rockets on tables and a bank of 10 telephones

before him, the general held forth on his favourite theme—Soviet activities in the region, the threat to the West they represent, and the role Egypt can play in defending them.

He wrote an article on the same topic earlier this year in the British Army Review. He paints a disturbing picture of Soviet encirclement from Afghanistan through South Yemen and Ethiopia up to Libya. He is quick with figures, which, incidentally, do not tally closely with those given by the International Institute for Strategic Studies.

Speaking of South Yemen he says: "It is a very small country with fewer than 2m people. Let me give you some figures. They have a lot of equipment—more than 500 tanks, almost 250 aircraft, even MIG-23s, and 500 armed troop carriers. Why? Why do they need them?"

An artillery man by training, Gen. Abu Ghazala has attended courses in military academies in both the Soviet Union and the U.S. He has fought four wars against Israel and claims that he has "no hard feelings"

Switzerland and the U.S. He became technical manager of Nasco and joined the board in 1962.

In 1966 he became general manager and in 1968 he was again promoted to become chairman and managing director.

Despite "many tempting offers" he is reluctant to throw in his hand at Nasco. "I feel I should fight a bit more before giving up. I am very attached to the company. I feel it is very much my boy," he says affectionately.

Dr. Gazarin, who is 55, his dark hair greying a little has two sons, both studying engineering. But he hopes that neither will go into the motor industry.

He would like to steer them into business administration: "That's where the money is. Engineers work too hard, they have no time to make money," he says.

MARGARET HUGHES

Mr Ahmed Nahhas

THE FIRST time Mr Ahmed Nahhas, then a mere waiter, served his parents in the Nile Hilton hotel, his mother burst into tears.

She did so, he recalls, because at that time, in the early 1960s, the hotel business, particularly waiting on tables, was regarded as a somewhat degrading profession.

"Now she smiles," he says. Not least because Mr Nahhas, at the age of nearly 42, is now a general manager and in the process of opening fully his eighth Hilton Hotel. His latest charge is the Ramada Hilton, a striking 36-storey sandy beige building with stylishly uneven corners, close to the Nile.

It was the 1956 invasion in Suez that took him into the hotel business. He had been planning to go to the London School of Economics, but Nasser banned students from going to France or Britain. His late father, a far-sighted lawyer, recommended hotel-keeping or advertising.

He preferred hotels and trained at Lausanne, Switzerland, working his way up through bar-tending and table-waiting in Swiss hotels before returning to Cairo in 1963. At that time most waiters in Cairo were either Greek or Italian.

Since 1963 he has gone ahead fast. He was then lured to the Gulf, where his first opening was the Kuwait Hilton, in 1968. Thereafter followed a series of Hilton openings in the United Arab Emirates (UAE), of which he was put in overall control in 1978.

Mr Nahhas is an unabashed devotee of private enterprise. He will lower wages if he feels they are undeserved and encourage employees to 20

elsewhere if they believe they can do better.

His black hair now flecked with grey above the ears, he is frank and amusing about his experiences as an hotelier. He returned to Egypt, having spurned more lucrative offers in the Gulf, in 1979 because he was and still is optimistic about the long-term benefits of President Sadat's "open door" policy and because he wanted his two children to feel at home in their own country after many years abroad.

Service in his hotel may be slow, but it reflects his belief that the staff must first be courteous and then learn to adopt efficient working methods. "I don't wish to be unfair to my colleagues," says Mr Nahhas, "but unfortunately there is a tendency for people to be abrupt and aggressive. Most managers are merely content to see that reports look good and that the hotel is full, as if that's all that matters."

Had recent political events in Egypt affected business? There had been a few cancellations but nothing to worry about, he replied.

He likes what he is doing now but hopes that he will not have to open many more hotels. Why does he like the job? He harked back to the reward, when he was a waiter, of seeing "the satisfaction of the guest from the moment he receives the menu to the moment when he gives you the cheque."

It is, perhaps, a sad comment on a country which has so much tourist potential and so many foreign visitors that this kind of commitment and enthusiasm by an Egyptian business man is all too rare.

ANTHONY McDERMOTT

Dr Adel Ismail Gazarin

IF ANYONE knows the problems of the public sector industry in Egypt it is Dr Adel Ismail Gazarin, chairman and managing director of the state-owned El Nasr Automotive Manufacturing Company (Nasco).

He is the man who, against considerable odds, built up a nationalised industry in Egypt only to find its future development being strangled by government policies.

On the one hand the Government appears to be suddenly opening the doors to all comers wanting to start up car assembly in Egypt. But at the same time it is always prevaricating in granting approval for Nasco's own plans to turn its licensing agreement with Fiat into a joint venture.

Dr Gazarin emphasises that he is not afraid of the competition but wants to be able to compete with them on equal terms.

Government interference has prevented Nasco from raising its prices since 1977 so that it is selling its cars at below cost. Dr Gazarin is budgeting for a loss of around £250m on passenger cars in the current financial year. Two years ago the company made a profit of £9m.

Dr Gazarin feels strongly that

management has too little freedom of movement in every aspect of running public sector companies, especially when it is necessary to make important decisions quickly. "You always have to refer to a higher authority and that means long delays," he says.

He hopes fervently that the proposed new law for the liberalisation of the public sector "really does mean liberalisation," though he does not seem over-optimistic.

Dr Gazarin believes that the public sector still has an important part to play in the economy but it must first be liberated from all its handicaps so that it can compete equally with private enterprise.

His frustrations have been so great that he has been driven to resign no fewer than three times—the last time in March this year. Each time he has been persuaded to stay with "promises" but, he smiles ruefully, "I am still waiting."

He has not yet totally despaired of keeping Nasco going. Indeed, he is convinced that Nasco could do "much more" given the chance.

A professional engineer who graduated from Alexandria University, where he later lectured, he also studied in

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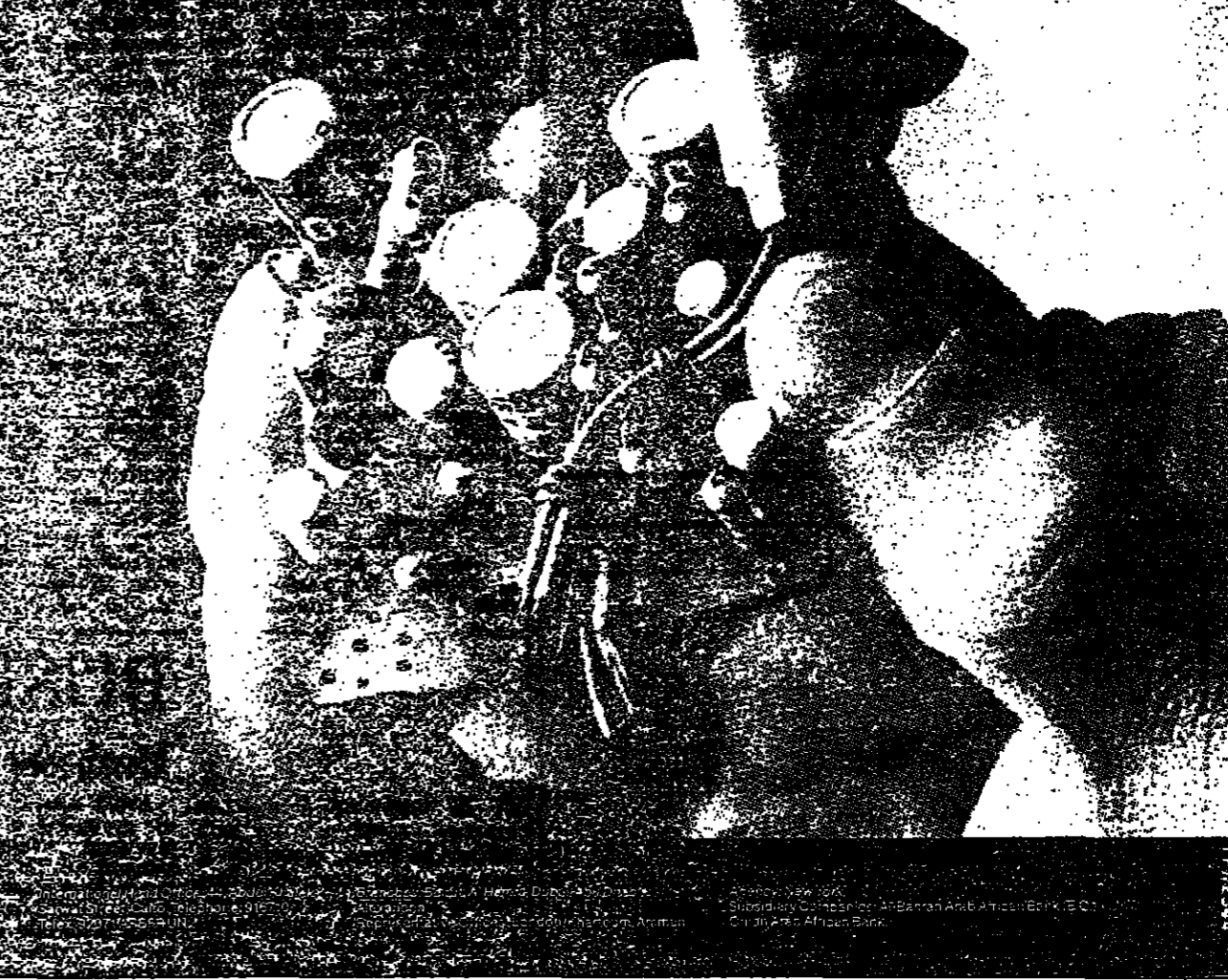
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EGYPT X

Steady income from trade despite world slump

THE PEOPLE who run the Suez Canal are well on the way to fulfilling two long-standing ambitions: transit tolls for the year exceeding \$1bn and total traffic back to the level it had reached before the Middle East war of 1967 forced the waterway's closure.

Encouraging results like these, at a time when world trade is generally slack, can only confirm the canal's usefulness as Egypt's most reliable source of hard currency, an asset that cannot fail to turn in a profit as long as trade continues to flow between East and West.

When the Suez Canal Authority (SCA) chairman Mawhoub Ahmed Mawhoub talks about the "new canal," it is not all hyperbole. The year began with the completion of a \$1bn deepening and widening project, doubling the immersed cross-sectional area from 1,800 to 3,600 sq metres.

Before December the upper limits for ships using the canal were 60,000 tonnes fully laden and 250,000 tonnes in ballast. Now it can take full 140,000-tonne tankers and empty 370,000-tonne tankers.

The response to the expansion was immediate. In the first six months this class of vessel accounted for 67m tonnes of traffic against only 45m tonnes in the same period of last year. In theory at least, the sharp increase justified the whole rationale behind expansion—winning back the lucrative oil trade lost to supertankers in the eight years when the canal was closed.

But for Dr Abdel-Razak Abdel-Meguid, the Deputy Prime Minister in charge of the economy, the more important development this year was the revised scale of transit tolls

enforced from January onwards. The International Chamber of Shipping had made token gestures of protest at the new charges, which for small cargo ships meant increases of up to 65 per cent. But first-half figures show that few, if any, avoided the canal and took the longer Cape of Good Hope route around Africa, instead.

It is these general cargo vessels, sometimes as small as 10,000 tonnes, and not the

SUEZ CANAL BY A CORRESPONDENT

tankers, that are making the greatest contribution towards the \$1.6bn the canal will have earned the Egyptian Treasury by the end of the year. In 1980 it brought in only \$940m.

According to Mr Mawhoub, the increases marked a shift in policy after five years spent re-establishing the canal's reputation as an efficiently run utility. "Up till now we've been interested in tonnage rather than money. Now we're interested in both," he said.

Even in 1975, when the traces of war had been cleared away and traffic again began to flow, the prospects of doom said changes in the pattern of world trade had turned the canal into a backwater for ever. Mr Mawhoub, with the enthusiastic backing of President Anwar Sadat, set out to prove them wrong.

But how successful has the expansion project been, and what guidance do the results give to SCA planners who now

have to decide on the timing of a second expansion?

From January to June, 23m tonnes of oil and petroleum products passed through, up 13 per cent on the same period last year, but still small compared with the 1966 half-year figure of 88m tonnes.

Dr Ahmed Ammar, head of the SCA's planning and research department, admits that with 500,000-tonne vessels in service the hopes of surpassing that in the near future are slim.

The most obvious new customers in Ismailia, home of the SCA headquarters, are the supertankers heading back to the Gulf from Mediterranean and North Sea oil ports empty after delivering their cargoes.

In August this year these ships contributed 11.1m tonnes, nearly three times the 1980 average of 4.3m tonnes a month. This traffic alone is providing an extra income of \$80m a year.

Despite the overall rise in traffic of all kinds, Dr Ammar has pointed to the effects of the world recession. Without the canal's new capacity trade would have risen only 4 per cent this year, whereas the SCA has come to expect 7 per cent as a matter of course.

This is only one of the factors the SCA must bear in mind when it presents the Government with its recommendations for the future.

The second stage of expansion is already on the drawing-board and Mr Mawhoub says the go-ahead could be given within months.

At a cost of \$700m, the canal would be widened and deepened to take 260,000-tonne tankers fully laden and 600,000-tonne ships in ballast.

The SCA is asking the Japanese Government for \$250m

in concessionary loans, on top of the \$300m Tokyo contributed to the first stage, and Japanese dredging contractors are keen to get to work while they still have equipment on site.

The loan will be on the agenda when President Sadat visits Japan this November. The World Bank has also been approached.

Before taking a final decision, Ismailia is keeping a close watch on the somewhat smaller tankers now being built, but the feeling is that the second stage must be undertaken sooner or later and should be complete by about 1985.

The SCA is critically aware that too much expansion too early could prove wasteful. Dr Ammar believes, for example, that a much-vaunted scheme to make the canal two-way can safely be ignored until more than 80 ships a day are arriving at the entrances. The current daily average of 59 vessels has hardly changed for years.

Meanwhile, the SCA's dredgers are kept clearing the 7m tonnes of silt that settle on the canal bed every year while the traffic controllers have just switched over to a new electronic monitoring system designed to provide instant warning of any snags along the canal's 108 miles.

Pilots have been sceptical of the monitoring system's benefits, but Mr Mawhoub claims that the \$17m radar and computer network financed largely through a U.S. commodity aid programme, is as different from the old system "as an aircraft is from a camel."

Three new by-passes have relieved congestion in Port Said harbour at the northern end and provide emergency capacity at well-spaced intervals.

BUSINESS GUIDE

Business contacts

IT IS extremely difficult to arrange appointments with officials in Egypt, especially if you are on a short visit. You will be put off again and again. If you ever get an appointment, it will be subject to many changes or cancellations and when you are finally there you often have to wait for hours until you meet the intended person. So it is advisable, if you can, to start arranging your appointments months in advance.

Most of the public sector works from 8.00 am to 2.00 pm and the private until 4.00 pm. The public sector closes on Friday as does most of the private sector but some, together with banks and some embassies close on Friday and Saturday, others on Saturday and Sunday. Most shops close on Sunday.

Avoid coming to Egypt during the month of Ramadan (the Moslems' fasting month) because working hours change, many shops close down and the government services become more inefficient as people tend to be lethargic and hot tempered.

Most major embassies have commercial attaches in close contact with the government and the business community. British banks with representatives in Egypt are: Barclays, Lloyds, Tennant Guaranty, and Morgan Grenfell.

Useful addresses: Federation of Egypt Industries, Immobilia Building, 26 Sherif St. Tel: 49488 and 54784. Federation of Egypt Chamber of Commerce, 4 Midan El Fakhri, Bah El-Loul, Alexandria. Chamber of Commerce, 31 Boulevard Ghourfa Touzariya, Alexandria. Port Office, Tel: 800100 and 25985.

General Organisation for Industrialisation (GOPI), 6 Khalil Agha St. Garden City, Cairo. Tel: 24840. General Authority of Investment and Free Zones, 8 Adly St. Tel: 806804, Telex 92235. Ministry of Agriculture, Weza, El Zouara, Dokki, Cairo. Tel: 702677/598. Ministry of Industry, Latin America St. Garden City, Cairo. Tel: 849413/25321. Ministry of Tourism, 110 Kasr El Aini St. Cairo. Tel: 923016/476. Tel. in Alex: 807611/985. Egyptian Petroleum Corporation, Tel: 603899/742/3365. Ministry of Telecommunication, Tel: 802333 and 933469. Ministry of Housing and Construction, Tel: 889455 and 25636. Ministry of Supply, Tel: 27832.

All offers of tenders by public sector companies must be made through a local registered agent, which is essential for doing business in Egypt.

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Transport

TAXIS AND hire cars are easy to find in Egypt. As you come out of the airport, you will find an endless number of taxis and limousine hire cars. Their official rate is E13 for taking you from the airport to Heliopolis, the nearest suburb to the airport, and E24 to downtown Cairo. But it is never a fixed rate as drivers impatiently await any "Khawaga" (foreigner) to charge him as much as they can.

The more expensive limousine car service can be contacted by phone on 755226 for short or whole day trips. Many travel agencies have branches in most first-class hotels where you can also rent a car from: Avis, Bita, Hertz, and Budget. In the city centre, a taxi should cost 12 piastres for the first kilometre and 5 piastres for every kilometre thereafter, but as a foreigner you are more likely to be charged triple this rate or more.

Telephones

TELEPHONES are incredibly hard in Egypt. It is impossible to get through. Where you can, use telexes which are much, much better. Most major hotels provide local as well as international telex service. Hotels also offer international dialling but not from rooms, so you'll have to depend on the operator's efficiency. Telex charge per minute is E2.57, while the telephone is E1.9 to Britain.

Hotels

IT IS still very difficult to find a room in any first class hotel unless you book well in advance, preferably by telex. In the city centre there are the five star Nile Hilton and the Ramsis Hilton, and the four star Sheraton. The Meridien is further along the east bank of the Nile close to the Garden City business area and the Giza Sheraton is a bridge away from the city centre.

El Salam Hyatt, Heliopolis Sheraton and the newly opened Concorde are five star hotels near the airport, there is also a three star Novotel and soon a Ramada Hotel. The attractive Mena House Oberoi, two Holiday Inns and the four star Jolie Ville are in the Pyramids area. But both of the last two groups of hotels have the disadvantage of being about 45 minutes' drive from the city centre. A good four star hotel in Zamalek is the President, which is 10 minutes drive from the city centre when there are no traffic jams.

The average cost of a single room, which increased by about 20 per cent at the beginning of this month is E145 for the five-star hotels and E130 for the four-star hotels. The average cost of the double room is E150 for the five-star hotels and E135 for the four-star hotels.

In Alexandria the hotels situation has improved with the opening of the new Sheraton. Otherwise the only passable hotel is the Palestine. Both overlook the Mediterranean at Montaza.

Useful numbers: Cairo: Meridien, Tel: 84544, Tlx: 325. Heliopolis Sheraton, Tel: 657700, Tlx: 93350-93360. Ramsis Hilton, Tel: 744400-754999, Tlx: 94262-94280. Giza Sheraton, Tel: 989000-989300, Tlx: 382-92041. Nile Hilton, Tel: 740777, Tlx: 92222. El Salam Hyatt, Tel: 682155, Tlx: 92184. Jolie Ville, Tel: 855977/510, Tlx: 92567. Mena House Oberoi, Tel: 855444/523, Tlx: 92316-93096. Shephards, Tel: 33800/900, Tlx: 379. President, Tel: 651678, Tlx: 93953. Concorde, Tel: 744711-743411, Tlx: 93650. Alexandria: Palestine, Tel: 581700/890, Tlx: 54027. Sheraton, Tel: 969220, Tlx: 54708.

Time off

IF YOU have any spare time during your tight schedule, you should visit historic areas such as the Pyramids and the Sphinx in Giza and the nearby Sakara Step pyramid. There is a sound and light show at Giza in English on Mondays, Wednesdays and Saturdays. In Old Cairo there are the old Coptic Churches, the Citadel and the old mosques, famous for their extravagant art and architecture, and the Khan El Khalili Bazaar. It is well worth hiring a falcon from the Meridien to sail on the Nile. Glittering red lights along

the Nile lure you to the night clubs with their traditional belly dancers. There is also a string of night clubs along the Pyramids Road while the main hotels have floor shows and the Hilton and Sheraton sport casinos.

In Alexandria there are fewer monuments to see. The Greco-Roman museum is worth visiting as well as the El Alamein cemeteries, 65 miles west of Alexandria. To enjoy the sea you will have to hope you're invited to one of the private beaches at El Montaza or El Maamoura as the others are very dirty.



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BRITISH SHIPBUILDERS

Setbacks on the road to profit

By Andrew Fisher, Shipping Correspondent

BRITISH shipbuilders, nationalised in 1977 and fighting hard to make a profit ever since, have received two major setbacks since they recently began to emerge from their financial gloom.

One is the present labour dispute involving an overtime ban, caused by the decision to close the loss-making Robb Caledon shipyard at Dundee and a weekly one-day strike at almost all shipyards. "It's not a total strike," said Mr Robert Atkinson, the chairman and chief executive of BS. "It's a grievance we are in the hands of a few dogmatists."

In around two months time, however, the industrial action will have a major impact on the shipbuilding industry. It is agreed that already some 700 people have been laid off on Tyne and Wear, and as more than 100 shipbuilding orders have been lost.

The shipyard's merchant ship order book has been moving up steadily this year and now totals some £600m as a result of major contracts from the Royal Navy, the Royal Greek, and elsewhere. But, said Mr Atkinson, no yard could run if overtime was not being worked.

It is the other and more long-term problem that most worries the chairman, however. This is

the Government's decision to cut the cost of the Royal Navy by rumpaging down the expensive and sophisticated surface fleet and concentrating more effort on submarines.

Mr Atkinson described this recently as a "body blow" — the corporation has £22m of naval orders. But BS is now embarking on the strategy that it hopes will enable it to overcome this. The idea is to sell large warships abroad, something which Britain has not done for a very long time.

Since Mr Atkinson took over at the head of BS in July last year, the corporate structure has been reshaped in line with his views on how to regain viability. His goal is a return to profits by the mid-1980s. To reach it, financial controls have been tightened, the workforce further reduced, and the sales force strengthened (especially in Hong Kong and Greece).

Now in his mid-60s and an ex-naval commander, the BS chairman is reckoned to be more keen on doing the job than on making friends. Before joining BS he was head of Aircraft Holdings from where he was involved in the reconstruction of the UK special steel sector. Some people in the shipbuilding industry describe him as a disciplinarian, with a tendency to run an organisation like a ship.

The most recent batch of top-level appointments at BS, all from within, have been designed to provide more management strength for the warship export drive and to win more offshore work. BS now has five divisions: merchant shipbuilding, warships, shiprepair, offshore and engineering.

In the corporate plan submitted to the Government in May and now being rewritten after the defence review—BS said "the objective of profitability by 1984-85 is a tangible goal." The plan, said Mr Atkinson, was not just a vague guideline—"mine is a plan which is my bible to which I work."

Nineteen Treasury officials, he said, had subjected BS's revised plan to a "most scrupulous examination" recently. In its last financial year to March 31 1981, the trading loss fell sharply from £110m to £41m and further progress is hoped for in 1981-82. The group has stayed within its cash limits and raised productivity.

"I have the team, morale is high, and the enthusiasm is there to be seen," commented Mr Atkinson of the atmosphere at BS. Like other shipbuilders, BS receives a large amount of subsidy or intervention fund money from the state, last year totalling around £44m.

It still relies in such money to close the gap between low world shipbuilding prices and the cost of production. Some outside experts are concerned that most of BS's recent orders have been for bulk carriers and not for more complex types of vessel. But, said Mr Atkinson, "we're in for any type of ship that can be built."

Much will depend on Mr Atkinson's ability to break into the international warship market.

In its annual report in July, BS said foreign warship orders were increasingly going to countries which could offer early delivery by selling proven designs already being built. "The UK has no such production line of general purpose frigates."

Mr John Nott, the Defence Secretary, has accepted BS's notion that it can only sell cheaper ships to other navies if Britain's own navy is having them built.

It is now holding talks with the Ministry of Defence on future production of a new frigate, the Type 23, which could be built more cheaply than the £30m Type 22 anti-submarine frigate. "We believe we can produce a first-class frigate and sell it for under £50m," says Mr Atkinson.



Mr Robert Atkinson: "I have the team, morale is high, and the enthusiasm is there to be seen"

WHY A SMALL YARD ON THE TAY HAS PROVOKED A ROW

WHY HAVE the majority of Britain's 70,000 shipbuilding workers gone on strike for the past two Mondays—at some cost to the economy—in support of a small yard on the Tay which many had never even heard of?

British Shipbuilders says the dispute does not make sense and expects to end soon. The company case seems, at first sight, compelling one.

Unemployment is still rising, especially in traditional shipbuilding areas. BS has done well as company, but is still a loss maker and badly needs to build a good reputation abroad. The workforce has dropped by more than 30,000 in the past two to three years, and that has been achieved with barely stoppage.

The Robb Caledon shipyard, which is at the heart of the

dispute has been on the closure list for years. It is the object of apparently serious interest by oil platform builders Kestrel Marine, which wants to expand its neighbouring yard and would guarantee jobs for many, if not all, of the 150 workers currently occupying the Caledon.

The unions, grouped under the umbrella of the shipbuilding negotiating committee of the Confederation of Shipbuilding and Engineering Unions (CSEU), would disagree with little of that.

But they believe they have equally compelling reasons for their call for a total overtime ban and a one-day strike every Monday.

First, they are committed to support Robb Caledon by a decision of the conference of the CSEU in April in July. That

conference, like the Confederation itself, has waxed in power in recent years and the constituent unions all regard the decision as binding.

Second, most of the large scale layoffs in the group so far have been achieved voluntarily by relatively large redundancy payments. This has been in line with the spirit of the Blackpool Agreement, a concordat dating from 1979 under which BS management agreed that voluntary redundancies would be the preferred method of "restructuring."

The unions have used the Blackpool Agreement to make sure that redundancies are voluntary. But in the case of Robb Caledon, BS is for the first time pointing to a get-out clause, which says in effect that, when drastic times call for drastic measures, compulsory redundancies may be made. The

unions' shield has turned into a sharp sword.

Third, Caledon has shown it is willing to fight, and that has produced a wave of support. For the core of 120 workers left in the yard there is nowhere else to go—except to the sister yard in Leith, two hours journey away. Dundee, not previously noted for its militancy, has developed a strong streak of radicalism which has some popular support: the city council has backed up the occupying workforce, and is examining ways in which it can make its support more than token.

Fourth, Confederation officials believe that in the four years since nationalisation, the BS workforce has been gradually welded into an effective and cohesive whole from groups who regarded their interests as different. This is seen as partly due to the gradual awareness of

being in one group with largely common wages and conditions. In part due to the CSEU's ability to get disparate and often feuding unions to work together. The militant and unofficial shop stewards combine has probably helped in this respect, too, certainly among left-wingers.

Fifth, the harder line taken by the company's new chairman, Mr Robert Atkinson, is held responsible for a correspondingly less accommodating union line. "There's much less of a willingness to acknowledge the part the trade unions have played to make it a success," says Mr Alex Ferry, the CSEU's general secretary. "BS is acting now like a bad trade union—it wants one hundred per cent of everything. And when there are times, as there have been, where we've said look, we can give you 97 per cent, it's

said no, we must have it all."

These elements add up to a determination to stick it out until BS rescinds its decision to close the Caledon. BS says it will not do so. Mr Atkinson said last week: "Robb Caledon is closed—they are fighting a lost cause," adding "there'll come a time, with Christmas coming up, that they'll realise which side their bread is buttered on."

It may be negotiating with the Government for grants to assist it in extending the Caledon yard should it acquire it. It will buy the yard and render the dispute academic. However that may be, the little Dundee yard has broken a period of stability, and posed sharp questions for the company's industrial relations in the time ahead.

John Lloyd

Letters to the Editor

The buyers' premium, and the art market

From the Chairman, Macdonald-Mason

Sir—I was appalled and dismayed to hear of the pathetic letter (October 1) of the British Antique Dealers Association to the London and Provincial Dealers Association with 24 hours of the court hearing due to be heard regarding a controversial 10 per cent buyers' premium, involving Sotheby's and Christie's, and also regarding the allegation of collusion against these two auction houses, thus breaking the Restrictive Trade Practices Act. I believe I was the first dealer to air doubts in June 1975 over the bids of this disproportionate four per cent increase charged by Sotheby's and Christie's.

While the auction houses and the BADA have engaged lawyers and counsel there has been no talk of a possible repayment of all buyers' premiums received over the past six years. The hares of both firms reflect that very real threat.

I am not in the least surprised that Lord Westmoreland, the chairman of Sotheby's, is "absolutely delighted," for the truth is that without consultation with their members the BADA, of which I am a member, have "tossed tail and run," with only half their legal expenses paid by Sotheby's and Christie's.

Apart from this ridiculous and undemocratic settlement, the two auction houses have agreed, without any guarantee whatsoever, to "look at their premium charges." Seldom have I heard of such a farce and how Sotheby's and Christie's must be laughing at the art trade in general.

The facts of the matter remain as contained in my statement in 1975 that most people are under the misapprehension that the auction houses receive 10 per cent commission for selling an article—this is totally untrue in view of the buyer's premium. The additional charge is to the vendor, and not the purchaser, for if a painting is worth £10,000 to the purchaser, his last bid, remembering the 10 per cent charge, will be £900.00 and after the commission is paid, the vendor will get in the region of £800.00.

Sotheby's and Christie's have indeed cause to celebrate as things stand, for the court case due to have been heard involved an allegation of collusion. It must indeed be a great weight off their minds to have settled the case, which could well have involved millions of pounds, for a paltry hand out of £75,000.00, being half the legal fees incurred by the BADA and the LAPDA, who, in my opinion, have represented their members' interests miserably.

The enormous profits of these auction houses over the past six years reflect the tremendous benefit of the coup which they achieved with the introduction of the buyer's premium, and if what has been reported over the settlement is accurate and complete, then it would appear that the capitulation of the BADA and the LAPDA is a total disaster for not only the art trade but also the private buyers and sellers who use these two auction rooms. David Mason, 14, Duke Street, St. James's, SW1

materially answer the price dilemma.

The solution is simple. Allow the bids to go ahead. Patriotic Scots can then buy in the market and force the price up to the point where either the bids fail, or even they are tempted to find that the price of independence is too high. Surely it is the worst of all worlds to allow bureaucratic institutions in London to decide what the Scots really want. They should be allowed their democratic freedom to use their own pockets to decide. Bruce Lloyd, 48 Aberdare Gardens, NW5

Money—always the same obstacle

From Mr E. Powell

Sir—Dr D. Cole (September 28) suggests work sharing as a means of reducing unemployment. By reducing employees' working week from five days to 4½ days, a 10 per cent increase in the company's workforce would be necessary to maintain the level of output. This, of course, concurs with the TUC's thinking for some years now. No one, however, appears to answer the central question: Who is going to pay for the increased labour force? The employer has maintained the same level of output, but increased his labour costs by more than 10 per cent.

There is an argument that if each person works less hours he becomes more productive for each of the lesser hours. One of the main problems of industry in recent years, however, is that consumer demand has declined, and companies have experienced difficulties in finding markets for their products. So increased output (even if that happens) would not pay for the increased labour costs.

Of course, if employees reduced their working hours with a corresponding reduction in their weekly pay, the system could be viable. But somehow I do not think that Mr Cole (or the TUC) had that in mind.

Whether we talk of the immoral aspects of some employees working overtime while others are unemployed, or whether we talk about reducing basic hours to make room for extra employees in a company, it always comes back to the same obstacle—money. Either the employees will be agreeable to a decrease in their own incomes, or the employers will need to find a method of financing the extra pay bill. Until these points are answered, the "work sharing" ideas are all rather academic. R. L. Powell, 16, Stryn-Nant, Pencoed, Bridgend, Mid-Glamorgan.

Just keep taking the medicine

From the President, Rufford and Gidea Park Rugby Football Club

Sir—I note in your issue of October 1 that Scottish and Newcastle Breweries is halving its capacity and cutting its workforce by 800 because of shortage of sales. Its workers and shareholders may be interested in the experience of the small organisation over which I have the honour to preside.

My club draws the majority of its beer supplies from the local brewery but, by agreement, we also provide an alternative brew, which was until recently McEwens Export and Newcastle Exhibition (both from Scottish and Newcastle). These two taps are now dispensing a different product. The bar chairman has reported to an executive committee that he is unable to obtain supplies from Scottish and Newcastle (we do pay our bills) and that no representative from this firm has been near the club for the last two years.

When I am in the club, instead of drinking McEwens, I now imbibe King Keg (which goes down quite nicely). I would suggest that Scottish and Newcastle does not need "a more aggressive approach to marketing." It needs an approach to marketing, full stop.

Incidentally, with regard to the report on another page on the marketing efforts of the Guinness Company, my experience is that while languishing in various emergency and military hospitals in 1944, (as a result of some severely unfriendly activity on the part of the temporary inhabitants of Normandy) I was prescribed Guinness by both civilian and military doctors in order to build my battered frame back to normal. Having subsequently returned to duty, I would certainly subscribe to the view that "Guinness is good for you." I have been taking the medicine ever since with great satisfaction; it appears to be an excellent preservative.

Pat Ridley, 18 Park Drive, Romford, Essex.

Some jobs just cannot be shared

From Mr M. Cross
Sir—The costs of work sharing are enough by themselves to prevent such an employment policy from being implemented. The major objection, however, to such a policy is social. Many jobs cannot be "shared" as they

Royal Bank of Scotland bid

From Mr E. Lloyd

Sir—In a market economy the theory is that there is a price for everything. (Actually that statement is probably true for any economic system but let us not confuse the issue with esoteric philosophical digression.) The specific issue we are considering is how much are Scots willing to pay to see their Royal Bank remain independent? And how can this be decided? The answer to the first question is, of course, we don't know. But the answer to the second is much more important, since if that can be reasonably established then it would auto-

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READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

Bernhard Bartsch
Senior Vice President/General Manager

Freemans grows at interim stage

TURNOVER, INCLUDING VAT, of main order business, Freeman's, rose from £116,500 to £130,700 for the 26 weeks to August 15 1981. After pre-tax profits climbed from £5,000 to £6,370.

A return to volume growth, particularly in clothing and footwear, has led to an increase in sales of nearly 12 per cent and since August 15, sales have continued at much the same rate of increase. Active recruitment,

which has been a strong feature this year, is continuing well.

The net interim dividend is being stepped up from 1.7p to 1.9p per 25p share—the previous year's total was 3.7p.

Interest charged for the half year was down from £10.7m to £8.8m, but tax increased to £3.3m (£1.35m), leaving an attributable surplus of £2.7m, compared with £2.73m.

See Lex

Silkolene Lubricants falls to £311,000

TAXABLE PROFITS of Silkolene Lubricants fell from £47,000 to £311,000 in the 26 weeks to June 24 1981 on reduced turnover of £8,580 compared with £9,180.

However the interim dividend is being maintained at 1.05p per 25p share—last year a total of 5p was paid on pre-tax profits of £200,000 and stated earnings per share of 14.5p. Earnings per share for the half year are given as 4p (1.5p).

Mr R. C. Dalton, chairman of the company, said that the company's major and industrial lubricants, says the reduction in activity and level of earnings in 1980 continued in the first quarter.

In the second quarter, although the level of activity in the

general market place has shown no improvement, the successful commissioning of the extension of the special product plant has enabled the group to increase earnings compared with the second half of 1980.

A major increase in raw material prices in August 1981 brought about by the weakening of sterling against the U.S. dollar, has obliged the company to raise the selling price of all its products. Mr Dalton says the effect of this on the final figures for 1981 is hard to forecast, but he is confident of continued improvement.

Net profits emerged at £166,000 (£311,000) after tax of £145,000 (£336,000).

Lamont reaches £131,000 at halfway and pays same

FOR THE first half of 1981, Lamont Holdings, the investment holding company, turned in pre-tax profits of £131,000, on turnover of £5.01m. For the same period last year, the respective figures were £121,000 and £1.8m, but the company says acquisitions during 1980 have made a direct comparison almost impossible.

The interim dividend is being maintained at 0.4p per 10p share, from stated earnings of 0.85p (1.41p)—last year's total was 1.1p on taxable profits of £402,000.

The first quarter of this year was very difficult in all sectors, but there was some improvement leading to a fair performance in June. Activity since then has continued at the improved, but below normal, level.

It is difficult in present conditions to be confident that this improvement will be sustained, the second half of the year is traditionally the more profitable, the company states.

Continuing cost reduction achievements would make a

significant impact on profits were it not that they are largely offset by increasing costs from public services and utilities, the company points out.

First-half trading profits were 55 per cent higher at £477,000 (£307,000). Depreciation took £201,000 (£69,000) and net interest £145,000 (£117,000). After tax of £24,000 (£23,000) and minorities, the attributable balance was £123,000 against £107,000. Last year's figure, however, was before an extraordinary credit of £35,000, being profit on the disposal of Lamont's interest in Securix (Pty).

Preference and ordinary dividends absorb £57,000 (£56,000), leaving the retained balance at £66,000 against £158,000.

Lamont has interests in property development and management, life assurance, textile manufacturing and engineering.

W. Pickles reduces losses

FIRST HALF pre-tax losses were reduced from £433,000 to £262,000 at William Pickles and Company for the six months to June 30 1981. Sales of this textile manufacturer were down from £12.75m to £10.84m.

Although this represents a marked improvement over the same period in 1980, says Mr Malcolm H. Greenslade, chairman, "we still have a long way to go." The stated loss per 10p share was lower at 1.25p (loss 1.49p).

It is not possible to be too optimistic about the future, says Mr Greenslade. He sees little evidence that the recession has bottomed out and the continued flood of cheap imports makes it difficult for the company to earn an acceptable level of return in manufacturing.

"The main reasons for the continued losses were, firstly, the substantial fall in turnover which were experienced in almost every section for the business," says Mr Greenslade, "and, secondly, the very heavy interest burden that we have to pay on the overdraft facilities."

There was a nil tax payment, the same as last time. The credit for extraordinary items was reduced to £80,000 (£271,000) and retained losses came out at £388,000 (£709,000).

Mr Greenslade says the group is volume sensitive and that the shortfall in sales was worse than expected because of the continuing reluctance of retailers to restock. The recent increase of 2 per cent in interest rates is a further burden for the second half.

L and C Advertising improves

FIRST HALF taxable profits for 1981 of London and Continental Advertising Holdings advanced from £141,732 to £180,422 on turnover ahead at £783,673 compared with £689,233.

Mr John S. Giffar, chairman of this advertising contractor, says the results for the year will comfortably exceed those of 1980 and in the event the dividend will be increased. Last year a single payment of 0.1p net per ordinary share was made on taxable profits of £260,876 and earnings per share of 0.76p. The earnings for the six months are stated at 0.49p (0.43p) a share.

Since the chairman's last statement the company has acquired for each two London-based poster contractors—Viewpoint Advertising and Summit Advertising—together with the assets of another London-based contractor which includes the poster advertising concession for the retail outlets of the International stores group.

Cope Allman tumbles £11m: dividend slashed

AFTER TUMBLING from a pre-tax surplus of £5.71m to a loss of £949,000 in the first half Cope Allman International bounced back into profit in the second six months returning pre-tax earnings of £1.33m, compared with £5.62m.

Although this left the total profit for the year to June 27 1981 well down at £373,000, against £11.53m, the directors say the decisive action taken gives more confidence for the future. After omitting the interim dividend they are paying a final of 3p net per 5p share which goes against a total of 4.58p for the previous year.

They say they have made significant progress in reshaping the group, reducing costs and increasing productivity which will continue in the current year. The directors add that the reduction in the break-even point of the group's volume

sensitive businesses and the disposal of loss-making companies will improve its results in 1981-82, though the continuance of the recession and increasing interest rates will prevent any dramatic increase.

Sales for the year were 6 per cent lower at £184.5m (£195.63m), but trading profits came through over 50 per cent down at £7.42m (£16.91m)—second half trading profits were £4.38m (£3.06m for the first half).

The pre-tax surplus was struck after a provision of £740,000 (nil) to cover the cost of obsolete stock lines and writing down of certain trade investments, and interest charges higher at £6.31m (£4.38m) as a result of increased borrowings and higher overseas interest rates.

The exceptional provision which was made in the light of

current trading, is not expected to recur in future years.

There was a tax credit for the year of £884,000 (£2.41m charge) comprising of a UK recovery of £1.14m (£1.96m charge) and overseas charge of £259,000 (£457,000).

After minorities of £288,000 (£546,000) the attributable profit emerged at £969,000 (£8.37m). Extraordinary debits rose from £3.93m to £6.3m.

Stated earnings per share fell back from 21.18p to 2.45p.

A divisional breakdown of sales and trading profits shows: packaging £67.5m (£51.89m) and £35,000 (£3.5m); leisure £46.5m (£39.03m) and £4.77m (£3.48m); engineering £26.98m (£27.8m) and £1.82m (£2.77m); fashion £22.56m (£24.69m) and £954,000 (£1.73m); Capsals £20.9m (£22.11m) and £574,000 (£2.01m). Head office costs

increased by £49,000 to £907,000. Sales to Continental Europe are shown to have declined from £37.41m to £28.06m, a fall of 15 per cent. To the rest of the world however they improved to £17.48m (£16.83m).

Various adjustments required for current cost accounting (less the gearing adjustment) will involve an additional charge against pre-tax profits for the year of £3.4m.

Historical pre-tax profits of Capsals, the group's subsidiary, were well down at £347,000 (£1.91m) for the year to June 27.

comment Cope Allman is on the recovery trail more quickly than expected, its packaging operations, which accounted for most of the fall into loss in the first half, have swung back into profit and the engineering and Capsals subsi-

diaries are showing modest improvements as well. However, the group is not looking for much further return from these divisions until the recession eases, and it will be pleased if the highly seasonal fashion business matches last year's £0.9m profit. Meanwhile, the leisure division, which has been the sole bright spot during the past year, has seen its profits halved in the second six months as the video boom ended and fruit machine income was squeezed by higher petrol costs and delayed rent reviews. The balance sheet is still looking stretched with borrowings about 70 per cent of shareholders' funds but stocks are down from £40m to £33.5m and there should be some inflow from disposals this year. At 40p, up 1p, the yield is 7.5 per cent and the market capitalisation £15.5m.

Second half leap puts Riley 20% ahead

A SUBSTANTIAL second half recovery at E. J. Riley has created pre-tax profits 20 per cent from £905,117 to £722,546 for the year to July 31 1981. The final dividend has been raised from 2.25p to 2.6p. The company is the biggest manufacturer of billiard tables and owner of snooker clubs in the UK.

Orders for snooker tables and accessories are at a record level, says Mr A. R. Deal, chairman, and with the popularity of snooker in the company's clubs showing no sign of abating the prospects for the group in the current year are very encouraging.

Second half pre-tax profits moved ahead by 60 per cent, up from £260,000 to £413,000. Once again the contribution from

snooker increased, and clubs performed particularly well with a 38 per cent increase in profits. The games company moved into profit after difficulties in the previous year.

The expansion of the snooker club business is of prime importance and a number of new sites should be open in the new year. The company is also interested in growth by acquisition. Turnover rose from £7.29m to £8.03m. There was a charge this time (nil) for employees' share participation of £7,000. Tax rose from £253,470 to £267,143.

There was an extraordinary credit of £3,174 against a debit last time of £2,188, which represented the profit on the sale of leasehold property this time against a loss on termination of activities last time. Earnings per

share were higher at 6.52p (5.98p).

comment E. J. Riley has yet to make the best of the snooker boom. True, its club proceeds have climbed 38 per cent but the group chides itself for failing to expand the portfolio at a greater rate; planning permissions permitting, the rate of club growth will rise significantly in 1981-82. Snooker table manufacture is also set to improve materially, Riley says that demand has already absorbed virtually all second-hand tables and its re-conditioning activities are drying up. No matter, it is currently building new tables at a rate of 25 per week. Last year, it sold only 120 new snooker tables in total. Dif-

iculties in the furniture and retail shop divisions aside, the shares responded to an aggregate profit rise of a fifth with a 7p gain to 82p. That approaches the point at which the board would see paper for fresh acquisitions in the leisure field, with the proviso that they are cash generators. Gaming is apparently a non-starter; catering, too, has been turned down. The likelihood is that the group will turn to another sport—perhaps in the belief that although nothing will match the current rate of snooker growth, it needs a wider earnings base. The yield is almost 7 per cent after a dividend increase of a tenth while the chances of receiving a bid cannot be very much longer than embarking on a major acquisition short-term.

Moss Bros: at £66,000 midway

FIRST HALF pre-tax profits slipped at Moss Bros, from £78,000 to £66,000, for the period ending August 1 1981.

The net interim dividend is repeated at 0.7p. Stated earnings per 20p share were 1.23p (1.43p). Turnover was down at £4.09m compared with £4.24m. Tax took £38,000 against £42,000, leaving attributable profits at £31,000 (£36,000).

In the last full year the company showed a pre-tax loss of £38,000, against profits of £428,000 previously, on turnover of £8.58m (£7.99m).

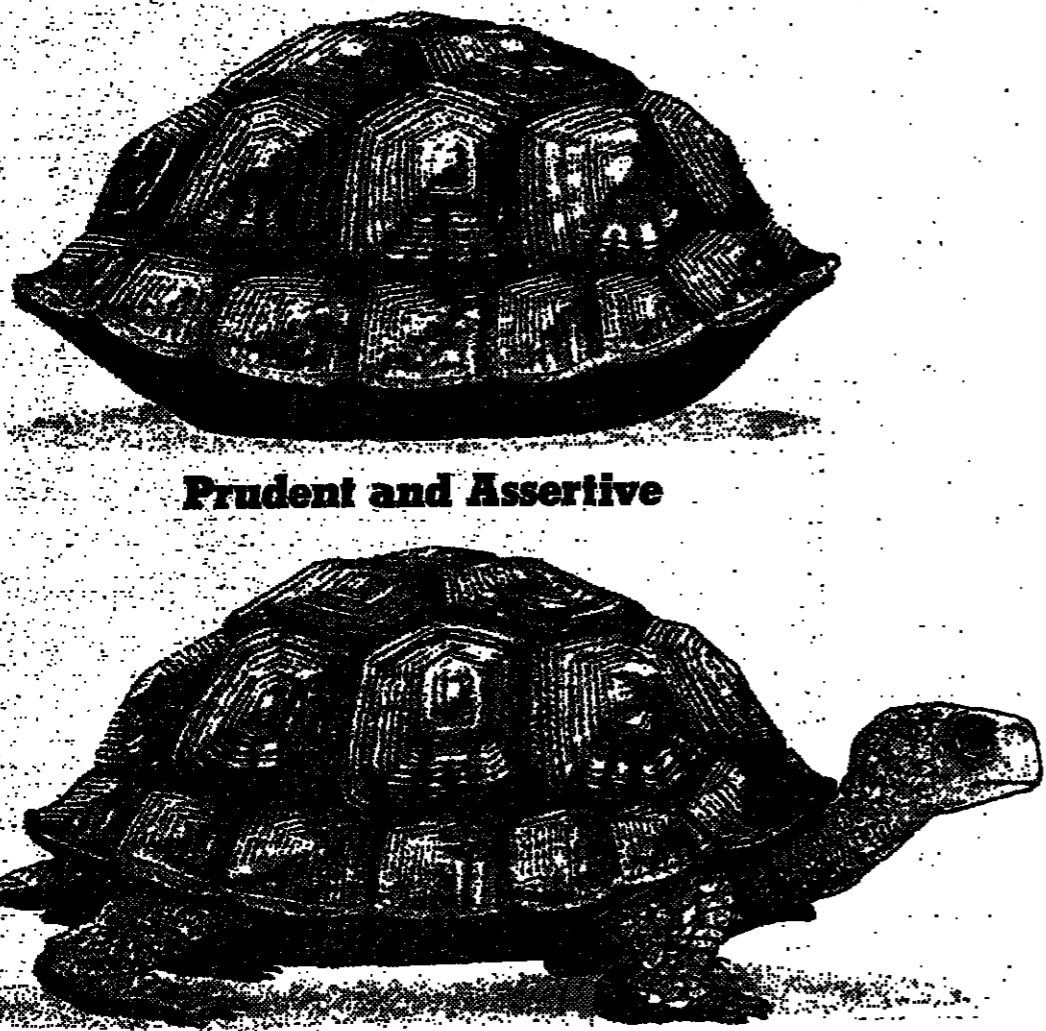
PMA HOLDINGS

PMA Holdings, the troubled furniture manufacturer, has delayed the publication of its results for the year ended March 31. The company made a pre-tax loss of £651,000 in the first half, compared to a profit of £430,000 for the year earlier period.

Publication of the year-end results for 1979-80, which were qualified by auditors Touche Ross, was delayed until March this year. Management cites as the reason for the latest delay "continued disruption occasioned by current reorganisation plans."

ALLIANCE BONDS

Alliance Building Society has raised a further £7.5m by way of fixed rate yielding bonds. The latest issue, which has been placed by Manchester Exchange Trust in association with brokers Phillips and Drew, carries an interest rate of 16 per cent and matures on October 13, 1982. The total raised by the society this way since the initial issue in September 1980 is £65m.



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INTERIM REPORT

RUGBY CEMENT

The Directors of The Rugby Portland Cement Co. Ltd. announce that the unaudited Group results for the six months to the 30th June 1981 were as follows:—

	6 months to 30th June 1981	6 months to 30th June 1980	Year to 31st Dec 1980
	£'000	£'000	£'000
Turnover			
United Kingdom	58,021	58,998	112,364
Overseas	9,685	7,694	16,111
	67,686	66,692	128,475
Trading Profit			
United Kingdom	7,554	8,411	14,307
Overseas	1,633	1,371	2,905
	9,187	9,782	17,212
Interest Received and Investment Income	2,034	1,603	3,628
Interest Paid	(2,308)	(2,013)	(3,865)
	8,913	9,372	16,975
Group Share of Associated Companies	(38)	(39)	(111)
Profit before Taxation	8,875	9,333	16,864
Taxation			
United Kingdom	1,530	766	1,834
Overseas	94	92	203
Deferred—United Kingdom	250	750	800
	1,874	1,608	2,837
Release of U.K. Stock Appreciation Relief Provision	—	1,874	727
	—	—	2,110
Profit after Taxation	7,001	7,725	14,754
Minority Interests	68	74	172
Profit before Extraordinary Item	6,933	7,651	14,582
Extraordinary Item	—	—	920
Profit after Extraordinary Item	6,933	7,651	13,662
Earnings per share	5.8p	7.3p	13.0p

Reduced activity in the building and construction industry in the United Kingdom resulted in sales tonnages of cement and steel reinforcement being below those of the equivalent period in the previous year. The adverse effect on trading profits of these reduced volumes was in part mitigated by cost savings and the greater proportional use of the more fuel efficient semi-wet cement-making process.

The improvement in overseas trading profits is due to the strengthening of the Australian dollar and steady progress by the Parmelia Hotel. Cockburn's disappointing results were mainly the consequence of industrial action in the last three weeks of June.

Cockburn is expecting its results for the second half year to be significantly

better than those for the first half. This, together with a positive contribution from the Associated Companies, should ensure that the reduction in the Group's pre-tax profit below that of the first half of 1980 will be more than offset by the end of the year.

The Directors have declared an Interim Dividend on account of the year ending 31st December 1981 of 2.35p a share—£2,807,105 (1980—2.2p a share—£2,618,802).

The dividend will be paid on the 4th January 1982 to shareholders on the register on the 23rd October 1981.

Boyd-Carpenter
Chairman

Xerox slims to meet the challenge from Japan

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COMPANIES AND MARKETS
INTERNATIONAL COMPANIES and FINANCE

William Dullforce looks at recent corporate investment in North America

U.S. bonanza eludes Swedish groups

FOREIGN COMPANIES looking for a crack of gold in North America should take heed of a new Swedish study on the "anatomy of success and failure" in investing in the U.S.

The performance of many Swedish companies which took advantage of the depreciation of the dollar and a depressed stock market to expand in the U.S. in the 1970s has been "something of a disaster," says Mr. Jan Ekman, managing director of Svenska Handelsbanken, one of the two leading private Swedish companies banks.

His bank commissioned the study from the Institute for International Business in Stockholm. It is understood to be the first detailed investigation on a national scale of companies' operations in the U.S. Empirical evidence indicates that Swedish companies have performed no worse than other foreign investors, according to Mr. Ekman, head of the team which executed the study.

It covered 80 Swedish companies, about 70 per cent of them operating in the U.S. More than half, 54 per cent, reported that their profit record in the U.S. during the last five years had been much worse than expected. Only 15.5 per cent achieved better or much better than expected return on capital.

A similar pattern was reported for profit remittances to the parent company. More than 49 per cent judged remittances to be worse than expected, 30 per cent fulfilled expectations and 20 per cent did better or much better.

Last year, 42 per cent of Swedish establishments in the U.S. reported a return on total capital which was negative or below 5 per cent; a further 15 per cent had less than 10 per cent return. Of the

SWEDISH DIRECT INVESTMENT IN THE U.S.

Year	SKr (m)	Percentage of total investment abroad
1970	151	14
1971	85	7
1972	121	11
1973	140	9
1974	397	16
1975	269	12
1976	529	15
1977	557	13
1978	576	19
1979	988	28
1980	1,194	31
1981 (half yr.)	812	37

LARGER SWEDISH ACQUISITIONS IN THE U.S.

Company acquired	Acquiring company	Price \$m
White Motor (1981)	Volvo	75
Dymo (1976)	Esselte	62
GAF (1981)	Swedish Match	56
NUE (1974)	Electrolux	56
Tapcon (1979)	Electrolux	55
Burdock (1978)	AGA	35
McQuay Norris (1976)	SKF	30
Oxford Pendaflex (1975)	Esselte	30
Diston (1976)	Sandvik	25
Worthington Compressors (1980)	Atlas Copco	20

one-fifth which reported a return on capital of more than 20 per cent, many were small companies.

The percentages given are of the total number of Swedish companies operating in the U.S. They are not weighted for the size of investment or scale of operation. Compared with the Netherlands, for example, whose overall investment in the U.S. is much larger and is dominated by big groups such as Shell and Philips, more small and medium-size Swedish companies have been moving into the U.S. market.

Moreover, the thrust of investment in the U.S. is towards manufactured goods rather than trade. In 1979 the Swedes accounted for only 2 per cent of total direct foreign investment in that country. On the other hand, they furnished 13 per cent of foreign investment in machinery—more than the UK.

The highest returns were reported either by small, highly specialised companies or by companies which had suc-

ceeded in carving out substantial shares of the U.S. market for their products.

The difficulty in breaking through to profitable market shares has meant that capital requirements have been considerably larger than many Swedish companies had expected. Some 35 per cent found themselves unexpectedly in the situation of having to raise more capital for their U.S. ventures.

Again, a link can be made to the slowness in generating profits. Almost 60 per cent of the Swedish companies discovered that it took a considerably longer time to achieve accumulated cash flow in their U.S. affiliates than in affiliates in Western Europe.

One of the most valuable features of the Svenska Handelsbanken study is its analysis of the reasons for this comparative failure. It pinpoints three major weaknesses in the "pre-entry phase," when the venture is being planned. These are inadequate feasibility analyses, far too

sanguine an approach to the difficulties of getting an operation or a product established and underestimation of the legal and regulatory problems peculiar to U.S. business.

The conclusion is that companies investing in the U.S. must do their homework more thoroughly and seek competent advice. But the study is curiously negative on the subject of obtaining such competence through a joint venture with an American company.

The Swedish experience has been that joint ventures do not work. The study found that "unbalanced relationships" resulted in conflict and mistrust and in "strategic and administrative paralysis."

It also warns of the high barriers to withdrawing from a joint venture. It cites a statement by a development official of a U.S. state that an astonishing number of foreign investors gave up all sorts of valuable rights by taking the licensing and joint venture route rather than being resolute enough to go it alone.

However, the study found that the unsatisfactory performance of so many Swedish companies could be largely explained by their difficulties in managing their U.S. operations. The difficulties detected concerned competitive strategy, the co-ordination and control of the U.S. operations, staffing, cost disadvantages and financing.

Zeroing in on a typical Swedish attitude, the study raps companies for clinging to a belief in the higher quality of their products as an excuse for not meeting aggressive market and price moves by competitors. Mr Ekman commented that the most successful companies were those selling relatively simple products.

Yet some companies' U.S. ventures have become cash traps when they have been forced into costly fights for market shares in highly concentrated, slow-growth businesses. Mr Leksell advises investors to stay out of the U.S. consumer goods market unless they are prepared to invest very heavily on promotion or can effectively "segment" the market.

More than half the Swedish concerns have suffered organisational or administrative problems in their U.S. operations. Staffing and recruitment are frequent headaches. After the punishment recorded in the study it is surprising to find that 82 per cent of the Swedish companies plan to expand their U.S. operations in the 1980s. They are apparently willing to learn.

The results of the study were discussed at a seminar organised in Stockholm last month by Svenska Handelsbanken. The findings are to be summarised in a booklet in English which Svenska Handelsbanken will publish shortly.

Belgian foods chain sees dip in profits

By Our Financial Staff

DELHAIZE, the leading foods store group in Belgium, which last year returned sharply higher profits, reports a modest decline in earnings for the first eight months of 1981.

Sales for an eighth higher at Bfr 27.7bn (\$41m) for the eight months. But the low condition of the Belgian economy has tended to flatten consumer spending, and Delhaize's higher margin food lines have been less in demand.

Last year the company increased net profits by close on a quarter to Bfr 645.3m on sales of Bfr 67.1bn, which were 54 per cent ahead of the Bfr 43.3bn achieved for 1979.

The results were boosted by the first-time inclusion of a U.S. acquisition. This year, the operating results of Delhaize's U.S. interests have continued to expand.

Control Data in Israeli deal

By L. Daniel in Tel Aviv

CONTROL DATA Corporation, of the U.S., is widening its involvement in the Israeli electronics industry by exchanging its shares in Elbit Computers for stock in Elbit's parent concern, Elron Electronic Industries. The swap will give Control Data 5 per cent of Elron.

The exchange is part of Control Data's broad strategy of widening its base in high technology investments outside the U.S.

The deal involves 0.441 Elron shares for each Elbit share.

Elkem runs up loss in first eight months

BY FAY GJESTER IN OSLO

ELKEM, the Norwegian metals, mining and engineering group, has slipped into the red for the first eight months of 1981.

Weak demand and rising costs, notably financial charges, have pushed the group into losses of Nkr 74m (\$12.6m) in contrast to a profit of Nkr 173m in the opening eight months of 1979.

Sales increased slightly to Nkr 2.7bn from Nkr 2.6bn, but there was a sharp rise in operating costs—of 12 per cent to Nkr 2.6bn from the Nkr 2.25bn of 1979.

The company says that the recession has affected the market for steel, ferro alloys and aluminium. Although developments varied from sector to sector demand was low in all these areas in the eight months. Inventories increased, and some cuts in output were made.

By comparison, markets for some of the group's manufactured products are considerably better, and sales of finished goods rose slightly, to Nkr 295m from Nkr 292m.

Although difficult market conditions for some products re-

ceive most of the blame for the poor result, Elkem points to three other factors that have played a part. These are: rising costs within Norway, increasing capital costs, reflecting increased borrowing and higher interest rates, and unfavourable currency movements.

Elkem buys much of its raw materials in dollars, which have appreciated in terms of the kroner, while sales are made mainly in European currencies, which have fallen.

In a drive to improve earnings, marketing efforts have

been intensified and steps are being taken to reduce working capital in order to cut interest costs.

The takeover of Union Carbide's three ferro alloy plants in the U.S. as well as two in Norway, has "strengthened" Elkem's marketing and technological position in ferro alloys.

The group now operates a total of nine ferro alloy plants and two research centres in Norway and the U.S., and has an option to take over Union Carbide's two ferro alloy plants in Canada.

High foreign demand lifts Buitoni half-year sales

BY RUPERT CORNWELL IN ROME

INDUSTRIE Buitoni Perugia, the leading Italian foods group, yesterday reported a 17 per cent growth in first half sales for 1981, with the best results concentrated in its foreign operations.

Turnover in the six months climbed to L392m (\$281m), of which Italy contributed L153m, only 6 per cent higher than in the same period of 1980. Foreign turnover jumped by more than 25 per cent to L179m.

Operations in both Britain and France made good progress, while sales of its Brazilian and American offshoots climbed by 85 per cent and 51 per cent respectively. The company has also launched a major restructuring drive, including a substantial capital spending programme.

The recent problems of the

Milan Bourse, however, have made fund raising plans no easier. While the L6bn free issue announced in May has gone through normally, execution of the second stage, a rights issue that would lift capital by a further L12bn to L48bn, has had to be put back a month because of market uncertainties.

The company gave no firm indication of its profits position. In 1980 it paid a dividend for the first time in five years, after reporting a profit of L1.3bn, against a 1979 loss of L981m.

La Centrale, the financial company controlled by Banco Ambrosiano, which last April acquired a 40 per cent stake in the Rizzoli publishing group, is planning a L90m (\$81m) convertible bond issue.

Interdiscount takes large stake in Photo Porst

BY JOHN WICKS IN ZURICH

INTERDISCOUNT, the Swiss photographic group, and a group of unnamed partners have acquired a 48 per cent stake in the German photographic retail concern, Photo Porst.

The consortium has invested a total of DM 19.2m (\$8.4m). Interdiscount has a direct participation of DM 7m, but has acted as trustee for its partners. Most of the trustee money is administered for foreign interests, says Interdiscount, indicating that some of the funds originate from Japan.

Photo Porst, a major company in the German photographic field, has annual sales of around DM 400m. It has recently been suffering financial difficulties, and expects further losses for 1981.

The remaining 52 per cent of Photo Porst's capital will stay in German hands. About 24 per cent of the company is held by an employee participation fund.

Interdiscount, which is family-controlled, operates a number of retail, wholesale and processing companies in the photographic and audio-visual field. In recent years, it has reduced its foreign activities to the sale of films and photographic paper.

The holding company has just proposed an increase in dividend to 14 per cent in respect of its business year ended mid-1981, after a rise in net profits from Swfr 2.3m to Swfr 3.2m (\$1.65m) for 1979-80, when shareholders received 10 per cent including a 3 per cent jubilee bonus.

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October 6, 1981

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October 1981

**Skanska Banken****US \$10,000,000****Floating Rate Capital Notes 1988****Scandinavian Bank Limited****Nippon European Bank SA****Lazard Brothers & Co., Limited****Rabobank Nederland**

Agent

Scandinavian Bank Limited**Beatrice Foods sees advance**

By Terry Byland

THE BOARD of Beatrice Foods is looking for an 11 per cent rise in earnings this year over last year's \$304m, or \$2.94 a share—slightly better than the latest Wall Street forecasts, Mr William W. Granger, president of the group's international division in London, said yesterday. He said the group had not seen any sign of a slowdown in consumer spending in the U.S.

London fund managers were told by Mr James Johnson, senior vice-president and chief financial officer, that Beatrice had \$500m in cash and short-term notes on August 31. This would provide a "cushion" against inflation and the effects of high interest rates in the U.S., he added. The group's interest charges had risen by only 6 per cent in 1981.

The group had no short-term U.S. debt, added Mr Johnson, and held Triple A ratings with the two major U.S. debt rating companies.

Cogefar turnover

Cogefar, the construction engineering subsidiary of the Bastogi financial group, newly quoted on the Milan bourse, reports first-half sales of L196bn (\$188m) and expects full year turnover in 1981 of L400bn, writes our Rome Staff. After a capital increase from L30bn to L40bn earlier this year, 25 per cent of Cogefar's stock is now owned by the general public.

This announcement appears as a matter of record only.

BOSTON EDISON COMPANY**U.S. \$75,000,000****FIVE YEAR EURODOLLAR CREDIT FACILITY****Blyth Eastman Paine Webber**
International Limited**Société Générale****Algemene Bank Nederland N.V.**
Cayman Islands Branch**Bank of America NT & SA****Banque Arabe et Internationale d'Investissement (B.A.I.I.)****Banque Européenne de Crédit (BEC)****Bayerische Landesbank Girozentrale**
Cayman Islands Branch**BHF-BANK International****Christiania Bank og Kreditkasse****Crédit Commercial de France****Gulf International Bank B.S.C.****Kleinwort, Benson Limited****J. Henry Schroder Wagg and Co. Limited****Svenska Handelsbanken S.A.**

Agent Bank

Bank of America International Limited

October, 1981

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY



PUBLIC POWER CORPORATION (DIMOSIA EPIHRISIS ELEKTRISMOU) GREECE

U.S.\$180,000,000 D.M.100,000,000
MEDIUM TERM CREDIT FACILITIES

CO-ORDINATED BY
CHASE MERCHANT BANKING GROUP
LEAD MANAGED BY

BANQUE NATIONALE DE PARIS
CONTINENTAL ILLINOIS LIMITED
NATIONAL BANK OF CANADA
THE NATIONAL COMMERCIAL BANK
(SAUDI ARABIA)
ORION ROYAL BANK LIMITED

CHASE MERCHANT BANKING GROUP
THE MITSUBISHI TRUST AND BANKING
CORPORATION
NATIONAL WESTMINSTER BANK GROUP
THE NIPPON CREDIT BANK, LTD.
THE SANWA BANK, LONDON

MANAGED BY
CIBC LIMITED
CONTINENTAL BANK OF CANADA
THE DAIWA BANK, LTD.

CO-MANAGED BY
ALLIED IRISH BANKS LIMITED
THE KYOWA BANK, LTD.
THE NATIONAL BANK OF WASHINGTON, WASHINGTON D.C.

FUNDS PROVIDED BY

ALLIED IRISH BANKS LIMITED
BANQUE NATIONALE DE PARIS
CHASE MANHATTAN LIMITED
CONTINENTAL BANK S.A.
THE DAIWA BANK, LTD.
THE KYOWA BANK, LTD.
NATIONAL BANK OF CANADA
THE NATIONAL BANK OF WASHINGTON,
WASHINGTON D.C.
THE SAITAMA BANK, LTD.
THE SAUDI NATIONAL COMMERCIAL BANK
O.B.U., BAHRAIN
UNION BANK OF NORWAY LTD.

ARAB TURKISH BANK
CANADIAN IMPERIAL BANK OF COMMERCE
CONTINENTAL BANK OF CANADA
DAI-CHI KANGYO BANK NEDERLAND N.V.
INTERNATIONAL WESTMINSTER BANK LIMITED
THE MITSUBISHI TRUST AND BANKING
CORPORATION
THE NIPPON CREDIT BANK, LTD.
THE ROYAL BANK OF CANADA GROUP
THE SANWA BANK, LONDON
SVENSKA HANDELSBANKEN S.A.
TAT LEE BANK LIMITED, SINGAPORE

AGENT
NATIONAL BANK OF CANADA

SEPTEMBER 1981

Companies
and Markets

INTL. COMPANIES & FINANCE

Japanese steelmakers in talks on eventual link-up

BY RICHARD C. HANSON IN TOKYO

TWO MEDIUM-SIZED Japanese steel companies are considering a business tie-up and an eventual merger which would create the eighth largest steel company in Japan.

The two companies are Godo Steel, an affiliate of Nippon Steel, the world's largest steel maker, and Funabashi Steel Works, an ailing electric furnace concern owned 100 per cent by Kanematsu-Gosho, the trading house.

Kanematsu-Gosho approached Godo on the possibility of a merger after serious financial difficulties at its subsidiary. Faced with curtailed production and low demand, Funabashi, a leader in steel bar production, had run up a cumulative deficit estimated at ¥3bn (\$21.5m) as at the end of September.

Funabashi's output, under an industry wide cartel, is running at an unprofitable 50-60 per cent of capacity, with little relief in sight.

Godo, which is ranked eleventh among Japan's steel companies, operates its own blast furnace and has a broader range of steel products. Its base is in the Osaka region. From Godo's point of view, a tie-up with Funabashi, ranked

15th, would strengthen its position in the Tokyo area, where the latter is based. Godo itself was formed by a merger of four small steel companies in the mid-1970s when the problems of small and medium size steel producers became acute.

The terms of an actual merger will probably take about two years to work out. Godo will insist that Kanematsu-Gosho absorb Funabashi's debts, which have risen by ¥900m in the past six months alone, as a precondition to the merger. In the meantime, the two companies might well co-operate in production and sales, and exchange personnel and capital.

Godo and Funabashi have a combined capacity of about 1.8m tonnes per year. A merger would rank the company behind Tokyo Steel Manufacturing, the seventh largest producer, a leading user of electric furnaces.

Foreign investment in Japan seems to be shifting from manufacturing to commerce, according to a report from the Ministry of International Trade and Industry (MITI). It also showed that foreign business concerns were generally more

profitable than Japanese companies. Kyodo reports from Tokyo.

A survey carried out last March, which covered 1,315 companies, showed that foreign stock ownership was the area chosen by 580 or 44.1 per cent, compared with 563 or 42.8 per cent specialising in manufacturing.

This is the first time that foreign firms engaged in commerce have exceeded the number of those engaged in manufacturing.

The report said the ratio of net profits to sales averaged 2.1 per cent for all foreign firms, much higher than an average of 1.2 per cent for Japanese companies.

Investment by European companies is shown to be increasing faster than investment by U.S. firms. In the poll, U.S. concerns accounted for 671 or 51 per cent, compared with European firms numbering 428 or 32.5 per cent.

But a separate poll covering only foreign companies set up in the past year showed that European companies accounted for 41.2 per cent, against 31.8 per cent for American companies.

Merged securities houses join Tokyo lists

TOKYO

Four securities houses born through recent mergers have made their debut on the Japanese stock market, and growing signs of reorganisation in the Japanese securities industry. The new-comers are Kokusai Securities Company, Chuo Securities Company, Chuo Securities Company, and Nippon Securities Company.

Kokusai and Tokyo have become general securities houses, capitalised at over ¥3bn (\$13m), and eligible in form syndicates as leading underwriters. Kokusai, capitalised at ¥6.3bn, ranks eighth in the industry and its earnings capacity is expected to follow only after that of the four major securities houses here.

Tokyo securities rank in the middle of eight securities houses ranking after the four leading houses—Nabors, Daiwa, Nikko and Yamaichi. The Finance Ministry is seen by analysts here as favouring rationalisation through mergers in the securities industry, so effecting the possibilities of more reorganisation to follow.

Kyodo.

Investment income fall hits Robinson

By George Lee in Singapore

ROBINSON AND COMPANY, a major Singapore department store operator, has reported a 12.4 per cent fall in group pre-tax profit to \$88.2m (U.S.\$2.9m) for the year ended June. Post-tax profit fell by an even higher rate of 20.5 per cent to \$64.5m as a result of an increased tax charge.

The company also reported an extraordinary loss of \$894,000, compared with an extraordinary gain of \$612m in 1979-80.

Group operating profit was almost unchanged at \$53.03m but investment income fell by 24 per cent to \$53.1m. Turnover rose by 13.6 per cent to \$871.3m.

HIGHER FINANCING costs have trimmed profitability at Singapore's major electrical appliance manufacturer, Acma Electrical Industries. Group pre-tax profit for the six months ended June 1981 fell 19 per cent to \$81.7m (U.S.\$802,000) largely as a result of a 39 per cent rise in interest expenses to \$81.93m. Group turnover rose by 25 per cent to \$851.3m (U.S.\$24.3m). Acma said that second half profit would not be less than the first half's. The group has declared a special interim tax exempt dividend of 10 per cent.

Israel Union Bank profits doubled

By L. Daniel in Tel Aviv

THE HALF YEAR accounts of Israel Union Bank, a subsidiary of Bank Leumi, which specialises in diamond trade financing, show that the bank has substantially withstood the recession in diamond sales.

Pre-tax profits in the six months to June 30 rose 110 per cent to Sh11.9m (\$8.9m). Its balance sheet total of Sh113.5bn (\$1.4bn) at the year-end represents a gain of nearly 150 per cent over end-June 1980. After-tax profit reached Sh138.4m, compared with Sh18.9m a year earlier. All the figures must be seen against an inflation rate of 121 per cent in the period July 1 1980 to June 30 1981, and of 10 per cent for the first six months of 1981.

Israel is for the first time to raise money on the American stock market to help finance \$18m of oil exploration. An unnamed American company has received permission from the stock exchange authorities to sell securities in the U.S. with the proceeds to be invested exclusively in Israel.

The money is to be used in the first instance to finance what will be the deepest drill in the Middle East, 7.5 kilometres, which is to be started in the Sodom area in November.

The Israeli Government will provide the investors with loans on favoured terms. The loans will be equivalent to the sum of the investment plus 17 per cent, so that the Government will finance 53 per cent of a projected \$18m expenditure, and the U.S. investors 47 per cent.

THE KYOWA BANK, LIMITED

Negotiable Floating Rate
U.S. Dollar Certificates of
Deposit

Maturity Date 6th October, 1983
In accordance with the provisions
of the Certificates of Deposit
notice is hereby given that for
the six month interest period
from 6th October, 1981, to 6th
April, 1982, the Certificates
will carry an interest rate of
18.15% per annum.

Agent Bank
Manufacturers Hanover Limited

Strong first half at Pick'n Pay

BY JIM JONES IN JOHANNESBURG

PICK'N PAY, which is one of South Africa's largest retail chains, recorded further strong advances in profits and turnover in the six months to August 31 1981. Mr Raymond Ackerman, the company's chairman, is confident that growth rates will be maintained in the second half of the financial year.

First-half pre-tax trading income rose to R13.35m (\$14m) from R9.43m in the first half of last year and compares with R26m for the year to February 28. First-half turnover was R441.4m against R334.7m in the corresponding period of 1980 and R745m for the whole of the last financial year.

The chairman is confident that profits will continue to grow in the second half even though there are signs of a downturn in the South African economy. Two supermarkets were opened in the first half and are performing well above expectations.

Three supermarkets and one hypermarket are to be opened in the current six months, increasing the number of hypermarkets managed by the group to eight and supermarkets to 53. The new stores are expected to become profitable within a short time of opening and should help the group weather any economic downturn.

The company is negotiating with Australian interests with a view to establishing operations in that country.

Plans to form a holding company, Pickwik, for Pick'n Pay are well in hand and the matter is expected to be settled by the end of November.

An interim dividend of 51 cents has been declared from first half earnings of 300 cents a share. Last year the interim dividend was 56 cents and first half earnings 242 cents. The year to end-February 1981 resulted in earnings of 777 cents a share and a total dividend of 256 cents.

Special investment arm for JF

BY OUR HONG KONG CORRESPONDENT

JARDINE FLEMING and Company, the joint venture merchant bank involving Jardine Matheson, the Hong Kong trading house and Robert Fleming, the UK merchant bank has formed an investment holding company to channel funds into the Hong Kong stock market from local and foreign institutions and from Hong Kong's many small investors.

The offer is of 100m shares of HK\$3 each, initially one-third paid, together with detachable warrants on a five-for-ten basis, which if fully exercised would bring the fully paid capital eventually to HK\$450m (US\$75m).

In order to increase the

attracting of the new company — JF Special Holdings — to British fund managers, it will be listed on the Hong Kong Stock Exchange, and a quarter of the issued capital is to be offered to the public.

The company's public offer will be the first since the Far East Exchange and the Kam Ngan Exchange imposed a moratorium on new issues.

Along with Jardine Fleming, Rowe and Pitman and de Zoete and Bevan both of the UK have sponsored the placement of shares in the company.

"We have placed 50 per cent with institutions in Britain, just over 22 per cent with Carrian Investments and hits with

clients of our firm," Mr Nicholas Sidley, the managing director of Jardine Fleming said. The remaining 25 per cent will be offered to the public in the form of 25m shares of HK\$3 each, with HK\$1 payable on application and the rest before March 31, 1982.

The company seeks to hold investments in companies with above average growth prospects, undervalued asset opportunities and in other special situations.

The issue has been underwritten by Jardine Fleming (Securities). The prospectus will be advertised today and the closing time for applications will be 12.15 pm on Monday, October 12.

All of these Notes have been sold, this announcement appears as a matter of record only.

New Issue / September, 1981

\$100,000,000

XEROX CREDIT CORPORATION

16% Notes due 1991

Salomon Brothers Inc

Goldman, Sachs & Co.

The First Boston Corporation

Merrill Lynch White Weld Capital Markets Group

Bache Halsey Stuart Shields

Bear, Stearns & Co.

Blyth Eastman Paine Webber

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette

Drexel Burnham Lambert

E. F. Hutton & Company Inc.

Kidder, Peabody & Co.

Lazard Frères & Co.

Lehman Brothers Kuhn Loeb

L. F. Rothschild, Unterberg, Towbin

Shearson/American Express Inc.

Smith Barney, Harris Upham & Co.

Warburg Paribas Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

Alex. Brown & Sons

A. G. Edwards & Sons, Inc.

Ladenburg, Thalmann & Co. Inc.

Moseley, Hallgarten, Estabrook & Weeden Inc.

Oppenheimer & Co., Inc.

Thomson McKinnon Securities Inc.

Tucker, Anthony & R. L. Day, Inc.

Wood Gundy Incorporated

Notice of Purchase

European Investment Bank

9% Dollar Bonds of 1978,
Due September 15, 1990

Notice is hereby given to Bondholders that The Nikko Securities Co., Ltd. as Purchase Agent for account of such bank, has purchased during the twelve-month period ending September 14, 1981, U.S. \$4,000,000 principal amount of such Bonds.

On September 15, 1981 the principal amount of Bonds remaining in circulation was U.S. \$88,000,000.

Luxembourg, October 6, 1981

U.S. \$25,000,000

BANCA SERFIN, S.A.

(A private banking institution incorporated in the United Mexican States with limited liability)



Floating Rate Capital Notes Due 1986

In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from 5th October, 1981 to 5th April, 1982 the Notes will carry an interest rate of 18.15% per annum and the Coupon Amount per U.S. \$1,000 will be U.S. \$94.48.

Credit Suisse First Boston Limited
Agent Bank

مكتبة الأمل

Companies and Markets

NEW YORK

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Wall St up 4 at midsession

STOCKS fell back after a strong opening on predicting bond interest rates higher at midsession. In response to indications that interest rates might come down, The Dow Jones Industrial Average, up 8.66 at 10.30 am, was 4.36 ahead at 10.45, with advances mostly limited to 3 to 5 points. The volume of 38.5m shares (37m). The NYSE All Common Index was up 56 cents at \$69.42, Friday's report of an unexpected \$1.9bn decline in the closely watched M2 money supply, however, continued the sluggish growth of that aggregate, reinforced hopes that the policy-setting Federal Open Market Committee may decide to ease monetary policy slightly at its meeting today.

Analysts said some profit-taking was to be expected after last week's sharp gains, which saw the Dow Jones Industrial average rise more than 36 points.

Sears eased 1/2 to \$161. It acted in principle to acquire Coldwell Banker for cash and stock. Coldwell has not yet traded.

Volume - leader American Telephone gained 1/2 at \$591. THE AMERICAN SE Market value index was 3.66 at 10.45. Active Doms Petroleum added 3 1/2 at \$13.

Canada

Stock prices gained broadly with all of the indices posting increases. At mid-session the Composite Index was up 20.3 to 1,957.0 on volume of 2,482,731 shares.

The Oil and Gas index led the advance up 67.9 to 3,536.3. Goids rose 62.6 to 3,552.1, and Real Estate and Construction 30.7 to 6,152.5.

Of the 581 issues traded, 318 advanced while 57 declined.

Among actives, Nova—reported

Closing prices for North America were not available for this edition.

Stock	Oct. 2	Oct. 1
AMCA Intl.	81	81
Abitibi	20	20
Agnico Eagle	30	30
Alcan Alumin.	39 1/4	39 1/4
Algoma Steel	40 1/2	40 1/2
Asbestos	41	41
Can. Montreal	44 1/2	44 1/2
Bk. Nova Scotia	24 1/2	24 1/2
Basic Resources	6.50	6.00
Bell Canada	17 1/4	17 1/4
Bow Valley	16 1/2	16 1/2
BP Canada	37 1/4	38 1/2
Can. Nat.	25 1/2	25 1/2
Brinco	5 1/4	5 1/2
B. C. Forest	13 1/2	13 1/2
Can. Pacific	22 1/2	22 1/2
Campfire Mines	22 1/2	23 1/2
Petro-Canada	20 1/2	20 1/2
Royal Bank	30 1/2	30 1/2
Soc. G. & W.	22 1/2	22 1/2
Sofina	24 1/2	24 1/2
Solvay	24 1/2	24 1/2
St. Lawrence	24 1/2	24 1/2
UCC	24 1/2	24 1/2
Veilleux	24 1/2	24 1/2

Can Cement.....	58	51 1/2	Copkiss.....	
Can NW Lnd.....			D. Sullivan.....	
Can Packers.....	30 1/2	30 1/2	Dansek.....	
Can Trussco.....	25 1/2	25 1/2	East Am.....	
Can Van.....	25 1/2	25 1/2	Forem.....	
Can Inds.....	40 1/2	41	Forem.....	
Can Pacific.....	43 1/2	43 1/2	GMP.....	
Can S. Inds.....	19	19	Harb.....	
Can Tire.....	30	31	Jyske.....	
Cherokee Res.....	7.25	6	Kord.....	
			North.....	
			Private.....	
Chiefdom.....	19 1/2	19 1/2	Prov.....	
Chico.....	55 1/2	55 1/2	S. B. Res.....	
Cone Sathst A.....	20 1/2	20 1/2	S. Res.....	
Cosaka Res.....	15 1/2	15	Super.....	
Cosco.....	8 1/2	8 1/2		
Daon Devel.....	6	6		
Danison Mines.....	25	25 1/2		
Danison.....	25	22 1/2		
Dome Petroleum.....	41 1/2	40		
Dorm Foundations A.....	14 1/2	13 1/2		
Dorm Stores.....	13 1/2	15 1/2		
Dorstar.....	24 1/2	24		
	25	25		

Genstar	22.45	22.81	CNE
Gt.-West Life	9.85	2.45	ONE
Gt. Canada	20.19	20.19	ONE
Gulfstream	6.62	6.62	AU PR
Hawk Sid. Can.	12.30	11.14	BIC
Hollinger Argus	30	30	Banq
			SSN
Hudson Bay Mfg	23.12	23.12	CARR
Hudson's Bay	21.14	21.14	CARR
do. Oil & Gas	40.96	39.94	CGF
Jusky Oil	12.12	12.56	CGE
Kanadian	27	27	CGE
Imasco	34.12	24.12	CGE
Imp Oil A	27	27	CGE
Indal	15	18	Cle G
Ind. Pipe	13	13	CGF
			CGF
Mac Bloedel	10	27	CGF
Marks & Spencer	10	9.5	CGF
Massey Ferguson	2.85	2.65	Dum
Mex. Steel	35	37	Dum
Merland Explor.	9.14	9.14	Imet
Mitel Corp	15.1	29.14	LOR
Noranda	36	36	LOR

Nat. Sun. Press A	8	5	Legra	12	12
Noranda Mines	25	25	Mattwa	12	12
Nthn. Telecom	48	47 1/2	Michelle	12	12
Oakwood Pet.	18	16 1/2	Mouch	12	12
Pacific Copper	2,50	2,40	Parb	12	12
Pap. Patrol	12	12	Perch	12	12
Palino	8 1/2	8 1/2	Perib	12	12
Placer Dev.	16 1/2	16 1/2	Perrie	12	12
Plat. Patrol	17 1/2	17 1/2	Peuge	12	12
Quebec Strgn	2,95	5,00	Radio	12	12
Ranger Oil	11 1/2	11	Redou	12	12
Reed Stenhs A	11	11	Shon Co	12	12
Rio Algom.	34 1/2	33 1/2	St. George	12	12
Royal Bank	36 1/2	35 1/2	Sid R	12	12
S&P Energy	15 1/2	15	St. John	12	12
Sceptre Res.	10	9 1/2	Telam	12	12
Segram Oil	20	19 1/2	Telecom	12	12
Steel of Can. A	34 1/2	32 1/2	Yale	12	12
Teck Int.	13 1/2	12 1/2	GERM	12	12
Toronto Canada	19 1/2	19			
Thomson News A	13 1/2	14			

Toronto (Juni 5)	25	17 1/2
Trans Can Pipe	25	17 1/2
Trans Mtn Oil A	25	19 1/2
Trans Mtn Pipe	25	19 1/2
Walker (H Res.)	23 1/2	22 1/2
Warrior Res.	20	20
Western Mtns.	25	19 1/2
Westco (Geo.)	32 1/2	32 1/2

AUSTRIA			
Oct. 5	Price	+	-
Creditanstalt	250	—	—
Landbank	280	—	—
Perinoroco	264	—	—
Reichsbank	248	—	—
Steyr Dalmer	176	—	—
Verkehr Mag.	203	+1	—

AEQ-T (Juni 5)	100	100
Ayllan	100	100
Bayer	100	100
BEH-E	100	100
BMW	100	100
Brown	100	100
Comm Ind	100	100
Conti	100	100
Dalmir	100	100
Dequas	100	100
Dema	100	100
D'schsch	100	100
Dü Sch	100	100
Dresd	100	100
Edel	100	100
GHH	100	100
Hapag	100	100
Hofm	100	100
Hoed	100	100
Holz	100	100

BELGIUM/LUXEMBOURG		
Oct. 5	Price Fra.	+ or -
ARBED	1,018	-2
Banq Int d A Lux	1,018	-
Bekaert B.	1,040	+20
Ciment C&F	1,020	-
C&F Indus	1,400	-
ESES	1,290	+6
Electrobel	2,808	+36
Fabrique Nat.	1,400	+20
G.S. Inco	1,700	-170
G.B.L (Brux L)	1,010	-10
Gevaert	1,410	+12
Hoboken	1,200	-16
Imco	1,932	-12
Kreditbank	3,340	-10
Pan Hds	6,190	-20

to be looking for another acquisition after dropping out of the Shell Explorers deal—was up to CS9. Husky unchanged at CS12½, and Dome up ½ to CS15½. Prices were also up in Montreal, with the Oils Index up 3.56 at 575.63 and Industrials 1.7 higher at 332.67.

Germany

The D-mark's revaluation in the European Monetary System was the main cause of a boom which lifted the stock market broadly higher. The Commerzbank index rose 9.7 points to 688.8.

Banks benefited from the surge in domestic bond prices with Deutsche DM 7.50 up to DM 273.50, Commerzbank DM 1.60 higher to DM 128.60 and Dresdner DM 2 up to DM 130.54.

In former Motors, Daimler rose DM 9.40 to DM 345. VW gained DM 3.20 to DM 133 and BMW DM 4.20 to DM 187, while chemicals BASF was DM 4.11 higher at DM 141.30, Baye

DM 2 up at DM 125.81 and
Boeckst DM 2 up at DM 126.
In engineering, Laid was
DM 1.20, higher at DM 328.20
KHD unchanged at DM 192 and
GHEH DM 3 up at DM 218.
Friday's rally on the domestic
bond market continued. The
Bundesbank sold DM 68.5m of
new 10% marks during the day.
Mark Eurobonds were up to one
point firmer.

Paris

Prices tended mixed in quiet
trading, and the market showed
little reaction to the EMS re-
alignment and the Government's
tightening of control on prices.
Many operators were hesitant

Most sectors were mixed, but Oils and Banks firmed.

Among the sharpest movements, Carrefour fell Ffr 37 to Ffr 1,603, Elf Aquitaine added Ffr 7 to Ffr 692 and Lafarge Coppee slipped Ffr 3.8 to Ffr 291.1.

LUX (continued)			HOLLAND	
Oct. 5	Fra Fcs	+ or -		Oct. 5
Alca	5,900	-65	AGF Holdings.	
Alca Belge	5,950		Ahold	
Alca San	5,950		ABN	
San Belge	888	+26	AMEV	
	2,480	+5		
	2,480	+5		

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Telef.	710	-2.5
Ver.	108	-1.9
Telef.	237.5	-1.8
Ver.	136	-0.5
Telef.	482	-1.7
Ver.	267	-1.7
Telef.	976	-2.5
Ver.	191	-1.5

MANY

	Price	+ or -
Telef.	45.9	+0.7
Ver.	448	+2.3
Telef.	145.1	+1.1
Ver.	125.5	-1.1
Telef.	167	-1.1
Ver.	272	-1.1
Telef.	185	+3.1
Ver.	187	+4.1
Telef.	245	-1.5
Ver.	68.6	-0.6
Telef.	55.5	-0.9
Ver.	108	-1.9

SWEDEN

Oct. 5

Alfa	710	-2.5
Laval	108	-1.9
ASEA	237.5	-1.8
Sollentuna	136	-0.5
Cellulux	482	-1.7
Electrobus B	267	-1.7
Ericson	976	-2.5
Fagersta	191	-1.5
Forsta (Kran.)		
Stora och Dom		
Seab-Ström.		
Sandvik		
Skan		
Skan Enskild		

264	-3	
185,5	+1	
24	-1	
Dabonack	191,5	+1,5
Bank	185,5	+1
Hut	140	0
Bank	180,5	+2
Zemern	110	+2
	210	+2
Lloyd	60,5	+0,5
	110	+0,5
mann (P)	20,5	+0,4
	56,5	-3
	110	-1,5
and Salz	209	-1
	210	+5
act	110	+5
	192	0
cker	46,5	0
	110	+1
	525,3	+1,2
	107,5	-0,7
mann	15,5	-1
den Hlg	505	+2,4
	505	+5
gossel	886	-4
	110	-1

West Elect	189.5	+1.3	Sandoz (B)	.....
thal	189.5	+1.7	Sandoz (Pt Ct)	.....
ng	518	-5	Schindler (Pto)	.....
n	277	+1	Swissair	.....
en	229	+1.5	Swiss Bank	.....
	63.5	+1.6	Swiss Reinsce	.....
	186	+3	Swiss Volksb	.....
West	127.7	+2.5	Union Bank	.....
wagen	364	.....	Winterthur	.....
	183	+3.2	Zurich Ins	.....

In Foreign stocks, where the investment dollar rose FFr. 7.5100 from Friday's FFr. 7.4250, all sectors firm except Coppers, which were sharply higher.

Milan
Prices closed generally low.

in this trading, reflecting uncertainty over Sunday's 3 per cent devaluation of the lira within the European Monetary System. Centrale, down 1.795, and Montedison down 1.480, were sharply lower while Mediocredito both Olivettis, Fiat and Pirelli E.C. suffered minor losses.

Pirelli Spa and Montedison slightly firmed 1.19 and 1.05 respectively, against the weekend's gains.

The bond sector was generally calm.

Switzerland

Prices closed higher in reaction to last week's sharp decline, but volume was small.

Four banks had raised

time deposit rates by 0.25 percentage points had been anticipated a bad little impact on sentiment.

In higher Financials, Cerrito-Buehrle closed at SFr8 110 (SFr8 1,518) and Lufarhof 110 fell against the trend.

In Industrials, Ciba-Geigy broadened its lead and Brown-Boveri 122 1/2 was the only stock to rise. Foreign and domestic bonds were mostly firmer.

Hong Kong

Equities markets suffered the biggest one-day loss since May 1982. Investors sold heavily after a weekend spent worrying about the implications of a 30 per cent

A late spill of bargain-hunters brought prices off their lows, as the Hang Seng index closed 119.49 points lower at 11,133.696.43 points or 38.5 per cent.

182		Aust. Guarant.	
64.9	+1.9	Aust. Assets	1
125	+0.5	Aust. Paper	1
36.9	-0.5	Bank NSW	1
125	+0	Bank NIB	1
125	+0	Bank HWA	1
78	+0.5	Boral	1
55	+0.5	Brimley	1
90	+0.5	Companes Inds.	2
11.5	-0.4	Bridge Oil	1
8.6	+0.3	Brickworks	0
18.6	+0.2	Brunswick Oil	0
9	+0.2	CRA	0
54.5	+0.2	CSR	0
112.3	+0.2	Caslon & Utd	2
160	+2.5	Cashmaine Tys	2
140	+2	Cluff Oil (Aust)	2
90	+2	Coches (B.J.)	1
39	+0.5	Coleman	1
37.8	+0.4	Corrinnier	1
19.5	+0.3	Costain	1
53	-2	Crossett Oil	5
200	+0.5	Dupont	1
117.5		Elmer Smith Gm.	4

210.9	-0.6	Endeavour Res.	0
209.5	-0.4	Envestra Trust	0
77.4	-1.1	Hemley	4
92.2	+1.6	Hortons Energy	4
21.9	-0.1	ICI Aust	1
144	-2	ICI Aust	1
129.5	-0.5	Jennings	1
129.5	-0.5	Jimm Lamb SocFF	1
63.5	+0.4	Kidman	1
28.5	-0.5	Kia Ora Gold	1
71	+2	Lannard Oil	1
10.5	-0.1	Macquarie	1
10.5	-0.1	Meekatharra Mts	1
10.5	-0.1	Meridian Oil	1
10.5	-0.1	Monarch Pet	1
10.5	-0.1	Myer Emp	1
10.5	-0.1	Nat. Bank	1
10.5	-0.1	New	1
10.5	-0.1	Noranda Int.	1
10.5	-0.1	North Star Mtl	1
10.5	-0.1	Oakbridge	1
10.5	-0.1	Orbital	1
10.5	-0.1	Pancon	1
10.5	-0.1	Pan Pacific	1
10.5	-0.1	Pacific	1
10.5	-0.1	Queen Mary G	1

36	+1	Regist & Coin.	
3,001	-	Sentes	1
36,010	-480	Sielt (HC)	1
1202	-	Southeast M'n'g	0
1615	+85	Spargan Exp	0
2,959	-	Thailand	0
2,999	-4	UML	0
1,440	+19	Utah Cons	2
770	-	Vollant Concrst	0
770	-18	Waltons	0
11,900	+700	Western Mining	4
59,995	-535	Western Petrol	0
		Woolworths	0
		Wormland	3

HONG KONG			
Price	+ or -	Oct. 5	Pr.
Kroner			
120	+0.5	Daeung Kong	17
122	-	Osemo Prop.	2
135	-5.5	Sheng Heung	7
57.5	-4.5	Hong Shing	2
485	-	HK Electric	0

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3,725	+3	Kakuyo	99
478	-2	Komatsu	50
239		Komatsu Fint	50
635	+7	Komishiroki	50
305			
6,400	+3		
1,180	+10		
2,788	+20		
2,380	+40		
15,100	+600		

NOTES—Prices
Individual exchange
suspended. Ex. Ex.
to Ex. all

lower, with the six-month average at 1,801.2 recorded on July 22.

All eyes were on the Hong Kong dollar, which was pegged against the U.S. dollar in trading. Hk\$ changed from HK\$6.02 on Saturday.

Tokyo

Hopes for a second prize were high, but the team was higher in their training, with B. Chips prominent gainers.

The Nikkei Dow Index 122.23 points at 7490.75, a second sharpest rise this year.

Among Bhre Chips, advanced Y380 to Y4300, Victor Y300 to Y2700, Y50, Y100, Y60 and Y400.

Motors were firm. Y200 climbed Y100, Nissan Y200, Honda Y75. Industrial makers were also gaining. Pharmaceuticals gained. Air-ground as an academic discipline, sponsored by the American Cancer Society, was a big success. Y200, Y400, Y600, Y800, Y1000, Y1200, Y1400, Y1600, Y1800, Y2000, Y2200, Y2400, Y2600, Y2800, Y3000, Y3200, Y3400, Y3600, Y3800, Y4000, Y4200, Y4400, Y4600, Y4800, Y5000, Y5200, Y5400, Y5600, Y5800, Y6000, Y6200, Y6400, Y6600, Y6800, Y7000, Y7200, Y7400, Y7600, Y7800, Y8000, Y8200, Y8400, Y8600, Y8800, Y9000, Y9200, Y9400, Y9600, Y9800, Y10000.

development of new anti-cancer drugs may be unveiled at the meeting.

Advances, outpaced death toll, 301 to 275.

Singapore

Share prices fell across the board in moderate trading, as selling pressure continued unabated with the sharp fall in the Hong Kong market depressing sentiment.

The Straits Times Index lost 14.50 points to close at 321.71.

Australia

The Melbourne market took

Gold shares rose virtually across the board following the highest bullion price but interest was quiet.

JAPANESE (continued)

Price	+ or -		Oct. 5	Price	+ or -
95.25	+0.87	Kubota	948		
96.00		Daewoo	955		
97.00		Kyoto Ceramic	9,190		
98.00	-0.88	Lion	4,097		
99.00		Mitsui Osm.	930		
100.00		Mitsui	928		
101.00	-0.02	Marubeni	926		

90	0.1	Nearui	750
98	-0.1	Machushin	759
95	+0.02	MTA Elec. Works	760
96	-0.02	MTA Bank	761
15	0.0	M'Brien Corp.	809
10	-0.02	M'Brien Elec.	809
96	-0.06	M'Brien Elec.	810
36	0.05	Mach/N. Elec.	874
9	+0.1	Mfrad Co.	882
17	+0.1	Mfrad Co. East	882
45	+0.1	Mitsui Koshi	913
45	+0.17	NCC Insulators	947
25	0.0	Nippon Denso	1,063
70	+0.02	Nippon Metal	400
70	+0.05	Nippon Onoda	400
05	0.0	Nippon Steel	730
05	+0.15	Nippon Steel	3,900
05	+0.06	Nippon Steel	3,900
60	0.0	Nissan Motor	500
60	0.0	Nissan Motor	500
06	+0.05	Nishin Fire	558
06	+0.05	Nishin Steel	543
06	+0.05	N.Y.K.	551

49.00		Olympus	1,130
48.00	+0.01	Onoda	1,130
47.00		Pioneer	1,100
46.00	+0.1	Renovon	700
45.00	+0.1	Riken	700
44.00	-0.04	Sanyo Elect.	700
43.00	+0.06	Sapporo	850
42.00	+0.05	Sasabashi Prefab.	850
41.00		Sharp	750
40.00		Shideido	800
39.00	+0.05	Sony	800
38.00		Sotomarine	570
37.00	+0.01	Taihei Denryo	285
36.00		Taisei Corp.	285
35.00	+0.07	Taihoh Pharm	285
34.00		Takada	560
33.00	-0.01	Takafuji	560
32.00		Taitoku Oil	500
31.00		Tase	500
30.00	-0.02	Tokai Marine	470
29.00	-0.16	Tokyo Elect.Pwr.	825
28.00	+0.01	Tokyo Gas	108
27.00	+0.01	Tokyo Sewerage	108
26.00	+0.02	Tokyo Corp.	500

29	+	0.20	Toshio	372
30	+	0.20	Toshiba	402
31	+	0.66	Toyo Seikan	413
32	+	0.83	Toyota Motor	1,118
33	+	0.03	Yamaha	5,370
34	+	0.03	Wacom	700
35	+	0.19	Yamaha	810
36	+	0.03	Yamaha	950
37	+	0.02	Yasuda Fire	286
38	+	0.07	Yokogawa Bldg.	540
39	+	0.02	Yokogawa Bldg.	540
40	+	0.07	Yokogawa Bldg.	540
41	+	0.02	Yokogawa Bldg.	540
42	+	0.02	Yokogawa Bldg.	540
43	+	0.02	Yokogawa Bldg.	540
44	+	0.02	Yokogawa Bldg.	540
45	+	0.02	Yokogawa Bldg.	540
46	+	0.02	Yokogawa Bldg.	540
47	+	0.02	Yokogawa Bldg.	540
48	+	0.02	Yokogawa Bldg.	540
49	+	0.02	Yokogawa Bldg.	540
50	+	0.02	Yokogawa Bldg.	540
51	+	0.02	Yokogawa Bldg.	540
52	+	0.02	Yokogawa Bldg.	540
53	+	0.02	Yokogawa Bldg.	540
54	+	0.02	Yokogawa Bldg.	540
55	+	0.02	Yokogawa Bldg.	540
56	+	0.02	Yokogawa Bldg.	540
57	+	0.02	Yokogawa Bldg.	540
58	+	0.02	Yokogawa Bldg.	540
59	+	0.02	Yokogawa Bldg.	540
60	+	0.02	Yokogawa Bldg.	540
61	+	0.02	Yokogawa Bldg.	540
62	+	0.02	Yokogawa Bldg.	540
63	+	0.02	Yokogawa Bldg.	540
64	+	0.02	Yokogawa Bldg.	540
65	+	0.02	Yokogawa Bldg.	540
66	+	0.02	Yokogawa Bldg.	540
67	+	0.02	Yokogawa Bldg.	540
68	+	0.02	Yokogawa Bldg.	540
69	+	0.02	Yokogawa Bldg.	540
70	+	0.02	Yokogawa Bldg.	540
71	+	0.02	Yokogawa Bldg.	540
72	+	0.02	Yokogawa Bldg.	540
73	+	0.02	Yokogawa Bldg.	540
74	+	0.02	Yokogawa Bldg.	540
75	+	0.02	Yokogawa Bldg.	540
76	+	0.02	Yokogawa Bldg.	540
77	+	0.02	Yokogawa Bldg.	540
78	+	0.02	Yokogawa Bldg.	540
79	+	0.02	Yokogawa Bldg.	540
80	+	0.02	Yokogawa Bldg.	540
81	+	0.02	Yokogawa Bldg.	540
82	+	0.02	Yokogawa Bldg.	540
83	+	0.02	Yokogawa Bldg.	540
84	+	0.02	Yokogawa Bldg.	540
85	+	0.02	Yokogawa Bldg.	540
86	+	0.02	Yokogawa Bldg.	540
87	+	0.02	Yokogawa Bldg.	540
88	+	0.02	Yokogawa Bldg.	540
89	+	0.02	Yokogawa Bldg.	540
90	+	0.02	Yokogawa Bldg.	540
91	+	0.02	Yokogawa Bldg.	540
92	+	0.02	Yokogawa Bldg.	540
93	+	0.02	Yokogawa Bldg.	540
94	+	0.02	Yokogawa Bldg.	540
95	+	0.02	Yokogawa Bldg.	540
96	+	0.02	Yokogawa Bldg.	540
97	+	0.02	Yokogawa Bldg.	540
98	+	0.02	Yokogawa Bldg.	540
99	+	0.02	Yokogawa Bldg.	540
100	+	0.02	Yokogawa Bldg.	540

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20	+	Unip PE	\$10	
21		Vale Rio Doc	9.90	
22	+	Over C 2.25m	Vol 420.8	
23	+	Source: Rio de Janeiro SE		
24	+			
25	+			
26	+			
27	+			
28	+			
29	+			
30	+			
31	+			
32	+			
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95	+			
96	+			
97	+			
98	+			
99	+			
100	+			

LONDON STOCK EXCHANGE

Short tap activated as demand for Gilts revives
Equities follow and 30-share index up 14.1 at 490.4

Account Dealing Dates

Option

First Declara- Last Account

Dealings (ions Dealings Day

Sept 28 Oct 5 Oct 19

Oct 12 Oct 22 Oct 23 Nov 2

Oct 26 Nov 5 Nov 6 Nov 16

* "New-time" dealings may take

place from 9.30 am two business

days earlier.

Institutional investors com-

mitted sizable funds to short-

dated Government securities

yesterday and the revival in this

area of London stock markets

encouraged a much better tone

throughout the equity sector.

Leading industrials were in-

fluenced to the extent that the

Financial Times Ordinary share

index, down 1.8 at 10.00 am, went

higher at each subsequent calcu-

lation to close the day with a

sharp rise of 14.1 at 490.4.

Such was the demand for

short-gilts the authorities were

able to sell supplies of the tap.

Treasury 11½ per cent 1985, at

39½ and then 5½, some 4½ below

the last operative price in late

August, before withdrawing.

Continued demand could shortly

see the stock's exhaustion. Long-

dated issues followed in the

wake of the movement and the

Government securities index

closed 0.33 higher at 60.93. The

stable trend in sterling follow-

ing the weekend EMS realign-

ment coupled with further

reductions in some major U.S.

prime rates to 19 per cent lent

support to the market's revival.

Initial fears that settlement

might bring to light financial

problems due to the slump in

equity values and the previous

trading account proved ground-

less and, after an uncertain

start, leading shares responded

quickly to buying interest. There

were few signs of genuine in-

vestment demand, however,

yesterday's advance owing much

to a speculative bear squeeze

which subsequently exerted

pressure on dealers' short pos-

itions.

Of the sectors, confirmation

of Dow Scandia's bid for Arbutnot

Latium, evidenced interest in

other Merchant Banks which

recorded substantial gains. The

news also prompted a revival of

bid speculation throughout the

Insurance sector. Properties con-

tinued to benefit from a broker's

investment recommendation and

made further progress, while

company trading statements

were greeted with a more ready

response than of late.

Weekend comment touched off

inquiries for Chinese bonds and

the 5 per cent 1912 issue rose

two points to 113, while the 1913

stock of the same coupon gained

1½ to 109.

Petroleum continued to

dominate Traded options, con-

tributing 520 calls and 311 puts

to a grand total of 2,878—nearly

500 up on last week's daily

average.

Merchant Banks good

Merchant banks highlighted a

generally firm banking sector,

early deals of the day. Arbutnot

Latium and Dow Scandia Bank-

ing Corporation sparking off

speculation of further bid possi-

bilities within the sector. Deal-

ings Arbutnot were resumed

and the close was 310½; this

compared with the suspension

price of 305½ and cash offer of

320 per share. Hambro, 159½,

and Hill Samuel, 138½, advanced

15 and 12 respectively. The

clearance of 3 to 650 ahead

of Friday's interim results. Else-

where, Grindlays sprang to life

on revived bid hopes and closed

20 up at 200½. Still drawing

strength from the recent increas-

ing in base lending rates, the

major clearing rates rose again.

Lloyds, 390½, Midland, 315½,

and NatWest, 379½, all improved

10, while Barclays put on 8 at 418½.

Insurances contributed to the

firm market trend. Still buoyed

by investment comment, Minister

Securities recorded fresh double-

digit rises in places. Royals

put on 12 at 370½ and Sun

Alliance 20 at 859½. Life issues

and Lloyds Brokers picked up

smartly on technical indications

and revived bid speculation.

Hambro Life rose 14 to 375½

ahead of tomorrow's interim

results, while Pearl gained 10

to 340½. Willis Faber put on 8

to 390½ and Minet 7 to 146½ in

Brokers. Currently in receipt

of an agreed bid from Alexander

and Alexander of the U.S.

Howard put on 8 at 138½.

Breweries settled at the day's

highest. Bass, 199½, and Whit-

bread, 149½, both rose around 7

points. Regional were featured

by Matthew Brown, 10 higher at

160½.

Selected Buildings responded

to renewed support and Blue

Circle rose 3 to 450½, while

Ready Mixed Concrete put on 6

at 178½. Better-than-expected

interim results helped Rugby

Portland Cement rise 4 to 79½.

Tarmac Cement 8 to 146½ and

EPZ Industries improved 7 to

243½, while Costain hardened 4

to 230½ on news of a £10.1m

contract. Secondary issues

featured Roberts Adair which

dropped 80p before rallying to

close near 250½. Cadbury

Schweppes 3 dearer at 81½, while

buying in front of today's annual

results took Bejam up 5 to 129½.

Avana were in demand following

Press comment and rose 13 to

245½. Recently depressed Argill

rallied 6 to 94½.

Buyers displayed interest in

leading Hotels and Caterers and

Grand Metropolitan firmed 7 to

173½, while Ladbroke gained 4

to 136½.

Glaxo and Unilever up

Glaxo and Unilever stood out

among miscellaneous leaders, the

former rising 20 to 382½ on de-

mand ahead of the results due

next Monday and the latter

jumped 22 last week following

a dawn raid and subsequent

acquisition of a near-15 per cent

in the group by General Tire

and Rubber of SA, firmed 10

more to 195½, after 200½, on the

announcement that GTR had

acquired a further 5 per cent

holding in the company at 200p

per share.

A two-way business in Foods

left the leaders showing modest

gains. Late demand for Cadbury

Schweppes 3 dearer at 81½, while

buying in front of today's annual

results took Bejam up 5 to 129½.

Avana were in demand following

Press comment and rose 13 to

245½. Recently depressed Argill

rallied 6 to 94½.

Buyers displayed interest in

leading Hotels and Caterers and

Grand Metropolitan firmed 7 to

173½, while Ladbroke gained 4

to 136½.

Mail-orders buoyant

Freemans (London SW9) inter-

im earnings were well in

excess of market estimates and

the price was sharply to close a

net 14 higher at 110½. Other mail-

orders took heart from the news

and Gratian, which announced

pleasing first-half results last

week, put on 6 at 82½, while

Empire, interim statement ex-

pected shortly, rallied 8 to 82½.

Scattered orders closed 17 up

to 390½. Other Store majors en-

countered "cheap" buying and

closed at the day's best. Mother-

care, 170½, and Burton, 114½,

added 6 and 3 respectively, while

Debenhams, interim results due

on Friday, announced a couple

of pence to 73½. Mr Asil Nadir's

firm continued higher on specu-

lative support. Wearwell im-

proved 3 to 65½, Polly Peck

closed 22 higher at 255½ and

Cornell Dresser 12 up at 120½.

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lative support. Wearwell im-

proved 3 to 65½, Polly Peck

closed 22 higher at 255½ and

Cornell Dresser 12 up at 120½.

ing demand of a speculative

nature. Favourable week-com-

ment on the group's results and

major expansion plans helped

Asprey, dealt under special rule,

jump 7 points, more to 537.

Waterford Glass gained 3 to 23p

on higher first-half earnings.

Motor Components displayed

some useful rises. Lucas were

briskly traded and rose 15 to

the good at 225½. Dunlop, dull

of late on fading bid hopes, ral-

lied 3 to 60½. Distributors were

featured by Calfings, which

advanced 15 to 232½, Rio Tinto

Zinc 14 to 474½ and Gold Fields

10 to 479½. Tanks put on 3

to a 1981 high of 455½. 3p

premium over the cash bid from

Societe Generale de Belgique.

Other mining markets also

made good progress aided by the

strength of the bullion price.

Anally 87 up at \$442.75 an ounce.

Gold opened firmer, eased on

minor profit-taking, but quickly

recovered to close at the day's

high as American interest was

noted in the after-hours trade.

The Gold Mines index, register-

ing its fifth successive rise, put

on 8.5 to 367.0.

In the heavyweights, gains in

excess of a point were seen in

Randfontein, 222½ and Hart-

beest, 231½, while Vaal Reef

improved a further 1 to 237½

and Libanano a half-point to 218½.

Platinum reflected the general

trend in mining markets, impas-

sedly moved up 15 to 107½, Lydenburg

2 to 187½ and Rustenburg 5 to

260½, the last-named in front of

the better-than-expected second

half earnings and increased anal-

y dividend.

A generally firm Australian

sector was featured by Bogan-

ville and CRA which rallied

strongly on news of a new

mining working at the copper

gold mine in Papua New Guinea.

Boganville rose 6 to 80½ and

CRA 4 to 220½.

Aran Energy fall

A squeeze on bear positions

led to firmness in the Oil sector,

but the leaders closed slightly

below the best. British Petroleum

touched 294p before closing 13

higher on balance at 290p, while

Shell finished 12 firmer at 340p,

after 342p. Elsewhere, Aran

Energy dropped 15 to 22p fol-

lowing the news of an abandoned

well in the Porcupine Basin, while

Sikholese shed 12 to 190p

on the sharply lower half-yearly

profits.

Overseas Traders recovered

composure and Gill and Duffus

closed

